As of 11 a.m. ET **DJIA** 10568.84 ▲ 0.21% **FTSE 100** 5437.61 ▲ 0.65% **Nikkei 225** 10638.06 ▲ 0.04% **Shanghai Comp.** 3211.76 ▲ 0.72% **Hang Seng** 21499.44 ▲ 0.09% **Sensex** 17401.56 ▲ 0.24% **S&P/ASX 200** 4845.11 ▲ 1.13%

Morgan Stanley prepares to overhaul executive pay plan
MARKETS 24

Will Republicans be suckered into tax hikes?
EDITORIAL & OPINION 11

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How Galleon built an empire

Rajaratnam mined web of Silicon Valley contacts, using charm, smarts and lots of information

By Robert A. Guth And Justin Scheck

Bloomberg News

The case against fund king Raj Rajaratnam hinges on whether he knowingly traded on inside information.

Raj Rajaratnam liked to tell people that his first name meant "king" in Hindi, and, coupled with his last name, that made him "king of kings."

He told the story with the broad, toothy smile that had ingratiated him to a generation of Silicon Valley executives. The grin softened the edge of a boss who'd call you an "idiot" or prod you into some humiliating stunt: Would you take $5,000 to be shocked with a stun gun?

In a mansion on a man-made island in Biscayne Bay in February 2007, Mr. Rajaratnam seemed determined to live up to his regal description of his name. It was Super Bowl weekend, and America's rich and powerful had descended on South Florida to watch the Indianapolis Colts play the Chicago Bears. Mostly they were there to do business. Mr. Rajaratnam's business was running a hedge fund, Galleon Group, that had made him a billionaire. And that business was based on contacts.

Wealthy investors and executives swirled around the rented home—$250,000 for the week—on exclusive Star Island. Miami Beach twinkled in the darkness as they drank, smoked cigars and hobnobbed with beautiful women—rent-a-dates, one Galleon employee called them—around a swimming pool that seemed to disappear into the horizon.

But a fall was already brewing. Federal agents were circling Mr. Rajaratnam, starting to build the biggest insider-trading case in a generation. Prosecutors and securities regulators worked for the next 32 months before springing a sprawling indictment in October that charged Mr. Rajaratnam and 20 others with profiting off market-moving, inside information.

Mr. Rajaratnam has pleaded not guilty, and is free on bail.

"Throughout his career Mr. Rajaratnam has worked tirelessly as permitted by the securities laws to build a mo-

Please turn to page 14

Thursday: How U.S. prosecutors assembled the biggest insider-trading case in a generation.

Rusal attracts big allies for IPO

By Nisha Gopalan

HONG KONG—Russian aluminum giant UC **Rusal** won backing for its US$2 billion Hong Kong initial public offering from Asia-based tycoon Robert Kuok and two prominent hedge funds, two people familiar with the matter said Tuesday.

The backing could lend credibility to an IPO that got off to a rocky start. Hong Kong regulators forbade retail investors to participate amid concerns over Rusal's $14.9 billion in debt.

According to the people familiar with the matter, the investors include Mr. Kuok, also known by the Chinese name Kuok Hock Nien, whose **Kuok Group** includes Hong Kong-listed Kerry Properties Ltd. and the English-language daily newspaper South China Morning Post; hedge fund manager Nathaniel Rothschild, through his **NR Investments**; **Paulson** & Co., the hedge fund run by John Paulson; and Russian state development bank **Vneshekonombank**, or VEB.

The four will serve as cornerstone investors, these peo-

Please turn to page 16

Beijing battles organized crime

By Sky Canaves

Associated Press

Suspects are escorted to court in Chongqing in early December.

BEIJING—A series of criminal trials in Chongqing, one of China's biggest cities, is spotlighting a byproduct of the country's rapid social and economic change: the spread of organized crime.

The court in Chongqing, a city of more than 30 million people, is expected to reach verdicts in coming weeks on the charges against two prominent defendants.

Wen Qiang, the former head of Chongqing's municipal justice department, is charged with using his official position to provide protection to organized-crime gangs. Li Qiang, a billionaire businessman who was until recently a member of the local legislature, faces nine charges, including organizing and leading criminal gangs, bribery and tax evasion.

Officials say the two men ran an underworld empire that included prostitution rings, illegal casinos, bribery and murder.

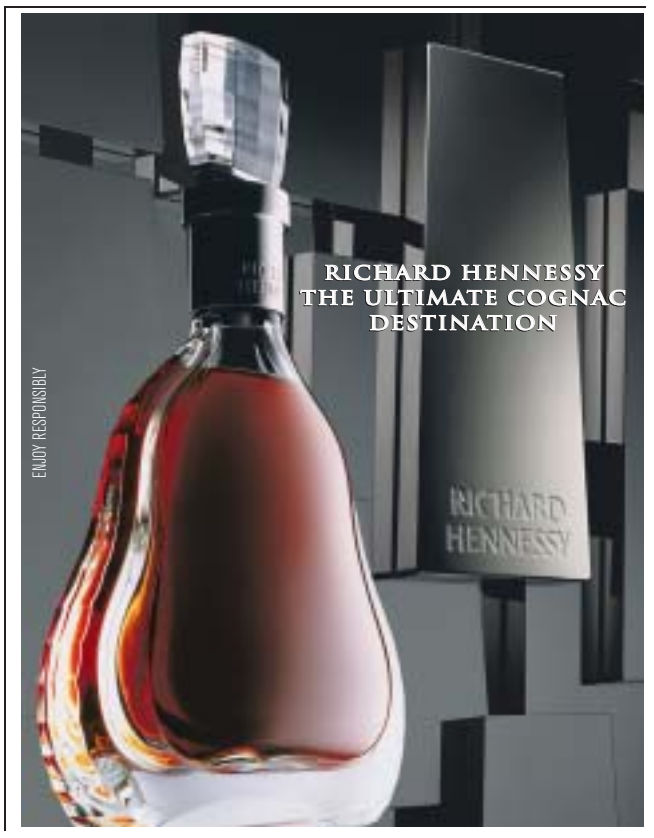
The Chongqing crackdown is the largest local operation against organized crime in 60 years of Communist Party rule, according to Wang Li, a law professor at Southwest University in Chongqing. Some 800 people have been formally arrested and more than 2,000 others detained. A dozen high-ranking officials and hundreds of civil servants have been implicated.

The trials have focused national attention on a scourge that has mushroomed since China began economic reforms in the late 1970s. The situation has worsened over the past decade, as rapid development—combined with loosening controls on individuals, limited law-enforcement resources and widespread corruption—has created an environment in which gangsters thrive, often in collusion with local authorities, say experts.

While experts say gang activity doesn't appear to have infiltrated the highest levels of China's government, it is an increasing challenge for China's Communist Party, which rates public anger about corruption as a major potential threat to its rule.

In Chongqing, Bo Xilai, a former commerce minister installed as the city's chief in 2007, has turned up the heat on the issue. "The mafia crack-

Please turn to page 16



PAGE TWO

What's News—

* * *
Business & Finance

■ **Seoul moved to pardon** Samsung Group's former chairman just four months after his conviction for tax evasion, looking to enlist him in South Korea's bid to host the 2018 Winter Olympics. The pardoning of Lee Kun-hee drew criticism from opposition and governance groups. **3**

■ **JAL is weighing** a bankruptcy filing if the airline's retirees don't offer pension concessions. **17**

■ **Nufarm rejected** a revised $2.33 billion takeover offer from Sinochem and instead agreed for Sumitomo Chemical to buy a 20% stake through a tender offer to existing shareholders. **17, 32**

■ **U.S. stocks clung** to slight gains as housing and consumer-confidence data met expectations. Australia's main index closed at its highest level in more than two months on the Nufarm news. **27**

■ **Locomotive maker China CNR** rose just 2.3% on its Shanghai trading debut, following feeble performances by several other new listings. **22**

■ **Treasury securities** held onto gains after an auction of five-year notes. The note came in at a yield of 2.665%, compared with the 2.656% just before the auction. **26**

■ **China Railway Construction** and Tongling Nonferrous have offered to buy Vancouver-based miner Corriente. **18**

■ **China Minmetals** and Rixin will develop an iron-ore mine in Chile, as China tries to break free from foreign control of ore prices. **18**

■ **The U.S. Fed proposed selling** term deposits to banks to drain some of the liquidity it pumped into the economy. **7**

■ **Hong Kong's chief executive** warned of a double-dip for the city's economy next year. Meanwhile, retail sales rose in November on increasing tourism. **6**

Getty Images

Demonstrators hold a candlelight vigil outside the Chinese Embassy in London early Tuesday in support of Akmal Shaikh, a British national who was later executed for drug smuggling in China. Relatives said he was mentally unstable and unwittingly lured into crime.

■ **Auditors found** that $34.3 billion went missing from Chinese public funds in the first 11 months of 2009, Xinhua reported. **6**

■ **The European Commission** said public finances in half of the 16 euro-zone nations are at high risk of becoming unsustainable after two years of crashing banking systems and economic recession. **7**

■ **AIG's general counsel**, who resigned over U.S. pay curbs, is in line to get several million dollars in severance. **22**

■ **Kumho Tire will delay** its December salary payments, raising concerns about the liquidity position of its parent. **19**

■ **ING will sell its 50% stake** in Chinese venture Pacific Antai to CCB, helping the state-controlled Chinese lender gain a footprint in the life-insurance sector. **22**

■ **Preuksa Real Estate plans** to increase its investments in China and Indonesia as the Thai property developer pushes to boost its revenue. **10**

* * *
World-Wide

■ **China executed** a British national for drug smuggling, sparking outrage from British leaders, who had appealed for clemency on mental-health grounds, and threatening to strain relations between the two countries. **4**

■ **North Korea said** it had taken into custody an American activist who crossed into the country last week in an apparent protest of its human-rights record. **4**

■ **Iran accused** the U.S. and Britain of interfering in its affairs, after rebukes issued earlier in the week from Washington and London over Tehran's crackdown on protesters. **WSJ.com**

■ **Vacationing President Obama** said the U.S. would use "every element" of its power to defeat extremists, in the wake of the jetliner bombing attempt. **8**

■ **Taiwan's two main** political parties agreed to reinstate a ban on some U.S. beef imports amid public concern that the government lacks adequate safeguards against mad-cow disease.

■ **Somali pirates seized** a ship carrying fertilizer from the U.S. in the Indian Ocean and a British-flagged chemical tanker in the Gulf of Aden, officials said.

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Inside

Currents: Big deficits demand more than number crunching. **9**

Property: The state of commercial real estate in Europe. **10**

Markets: BofA's new chief needs a credit-card solution. **25**

Heard on the Street: Japan Inc. is bullish on China's shop. **32**

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WORLD NEWS

Samsung ex-chairman to get pardon

South Korean government aims to enlist business magnate in bid to host the Winter Olympics in 2018

By Jaeyeon Woo

SEOUL—The South Korean government Tuesday moved to pardon the former chairman of **Samsung Group** only four months after he was convicted on tax-evasion charges, looking to enlist him in the country's bid to host the 2018 Winter Olympics.

The move to clear the name of Lee Kun-hee, one of the nation's most visible business executives, drew criticism from opposition and governance groups that called it an example of the preferential treatment sometimes offered to South Korea's senior business leaders.

Mr. Lee, 67 years old, is widely credited with building up the Samsung conglomerate, one of South Korea's dominant business groups, or chaebol. But he stepped away from his duties following his indictment last year on charges that he caused financial damage to his company by trying to illegally hand down management control to his 41-year-old son, Jay Y. Lee, who this month was named chief operating officer of **Samsung Electronics** Co.

Associated Press

Lee Kun-hee after his tax-evasion trial in August at the Seoul Court House.

The elder Mr. Lee was eventually cleared of the charges but found guilty of breach-of-trust and tax evasion in August and handed a suspended prison sentence. The case centered on charges that he caused damage to a Samsung company by issuing a type of bond at below-market rates. He denied wrongdoing in court, though he apologized publicly for the commotion surrounding the trial.

South Korean President Lee Myung-bak cited the contributions that Lee Kun-hee could offer to South Korea's efforts to draw the Winter Olympics in 2018 to the city of Pyeongchang. "I've decided on this pardon for national interests," he said after a Tuesday cabinet meeting at which the pardon was considered. South Korea tried and failed to win the 2014 Winter Games.

Samsung said in a statement that it is "pleased that former chairman Lee Kun-hee has been granted this pardon, and the company expects him to devote himself fully to supporting Pyeongchang's bid to host the Winter Olympic Games in 2018." Mr. Lee was one of the country's two International Olympic Committee members, but gave up his duties due to his legal troubles.

One activist group, the Seoul-based People's Solidarity for Participatory Democracy, described the move Tuesday as "disregarding the rule of law."

"It's been only four months after former chairman Lee Kun-hee was convicted. The ink hasn't even yet dried on its court statement," said the minor opposition party Liberty Forward. "Granting a chaebol chairman a pardon just to host an Olympics will make South Korea a laughingstock in the international community." Under August's decision, Mr. Lee was sentenced to three years in prison and fined 110 billion won ($88.7 million), but he was allowed to remain free so long as he stayed out of trouble for five years.

The pardon is Mr. Lee's second. He was convicted in 1996 of bribing former South Korean President Roh Tae-woo, but pardoned a year later by then-President Kim Young-sam. It isn't rare in South Korea to see chaebol owners convicted of white-collar crimes being granted presidential pardons, given their critical role in the economy.

North Korea says it arrested U.S. activist

By Jaeyeon Woo

SEOUL—North Korea said Tuesday it had taken custody of an American activist who crossed into the country Dec. 24 in an apparent protest of its human-rights record, a move that could further complicate relations between the two countries.

North Korean state-run media said the man entered the country across its border with China and had been detained. Human-rights groups identified the man as Robert Park, a 28-year-old Korean-American from Tucson, Ariz. He was arrested as soon as he crossed, the groups said.

Officials at the U.S. Embassy in Seoul and South Korea's Unification Ministry, which handles relations with North Korea, said they didn't have further information.

The detention comes at a sensitive time for both sides. Stephen Bosworth, the special U.S. representative to North Korea, visited this month, intending to persuade Pyongyang to rejoin nuclear-arms talks that include South Korea, Japan, Russia and China. Political observers said North Korea may play down the detention as it seeks to ease more than a year of rising tensions.

"North Korea is not going to cause any trouble less than a month after the U.S. envoy's visit," said Yoo Ho-yeol, a North Korea expert from Korea University.

One activist group, Pax Koreana, posted a copy of what it said was a letter Mr. Park carried and hoped to deliver to North Korean leader Kim Jong-Il.

"Please open your borders so that we may bring food, provisions, medicine, necessities, and assistance to those who are struggling to survive," the letter said. "Please close down all concentration camps and release all political prisoners today, and allow care teams to enter to minister healing to those who have been tortured and traumatized."

Tim Peters, a Christian activist and founder of Helping Hands Korea, a North Korean aid group, said he last saw Mr. Park on Dec. 17, at a demonstration against the state of human rights in the country. Mr. Peters said he found out what Mr. Park planned days later and was "so shocked and tried to reach him. But he turned off his cellphone and didn't respond to my email."

In August, after a visit by former U.S. President Bill Clinton, North Korean officials released two American journalists who were detained and sentenced to 12 years of labor after crossing briefly into the country.

Observers of the Communist country say North Korea is in the middle of a multiyear pattern in which it undertakes provocative actions, then pursues increased financial assistance and other aid when it appears willing to talk again.

"I think it will try to handle this quietly. North Korea is likely to kick him out of the country through the process of its domestic law, and might urge the U.S. to make sure of no more recurrence in the future," said Kim Yong-hyun, a professor of North Korean Studies of Dongkuk University in Seoul.

The pattern has frustrated officials in the U.S. and in a number of Asian governments as North Korean has carried out nuclear-weapons testing and research.

Agence France-Presse/Getty Images

Chinese police look up at journalists gathered near the building where British national Akmal Shaikh was executed in western China's Urumqi province, on a conviction for drug smuggling. China proceeded with the death sentence despite calls for clemency from U.K. leaders and international rights groups on mental-health grounds.

China executes British inmate

Akmal Shaikh, 53, was convicted of smuggling heroin; U.K. premier says he is 'appalled'

By Loretta Chao

BEIJING—China executed a British national for drug smuggling, sparking outrage from British leaders, who had appealed for clemency on mental-health grounds, and threatening to strain relations between the countries.

Akmal Shaikh, convicted of carrying more than four kilograms of heroin two years ago at Urumqi Diwopu International Airport in northwestern Xinjiang province, was executed by lethal injection on Tuesday after China's Supreme People's Court upheld his death sentence, China's state-run Xinhua news agency reported.

British Prime Minister Gordon Brown condemned the execution, saying in a statement that he is "appalled and disappointed that our persistent requests for clemency have not been granted." He expressed his "sincere condolences" to Mr. Shaikh's family and friends.

"I am particularly concerned that no mental-health assessment was undertaken," he added.

Chinese Foreign Ministry spokeswoman Jiang Yu dismissed the British complaints. At a regular news briefing she said the Chinese government is "strongly dissatisfied and is absolutely opposed to the unjustifiable condemnations" from the U.K.

"We urge the British side to show respect to China's judicial supremacy and redress the mistake immediately to avoid damaging bilateral relations," Ms. Jiang said.

Cousins of Mr. Shaikh visited him on Monday, his first direct family contact in two years, and issued a last-minute plea for mercy, the Associated Press reported. The cousins said they felt the 53-year-old father of three, a small-business owner from London, was not rational and needed medication. They said he was lured to China by men who promised to help him launch a career in pop music.

Xinhua quoted a statement issued by the Supreme People's Court as saying that that there was insufficient proof that Mr. Shaikh had any mental-health issues and that the evidence against him was "certain and the facts were clear."

Mr. Shaikh's rights were fully granted, the court said, adding that drug crimes are serious criminal offenses with "severe negative social impact," according to the Xinhua report.

According to Chinese criminal law, people trafficking more than 50 grams of heroin can be punished by death.

Reprieve, a London-based prisoner-advocacy group that lobbied for Mr. Shaikh, said he is the first European to be executed in China in 58 years. The last person was an Italian, Antonio Riva, who was shot by firing squad in 1951, along with a Japanese man, Ruichi Yamaguchi, after being convicted of involvement in what China alleged was an American plot to assassinate Mao Zedong and other high-ranking Communist officials.

The execution again put a spotlight on China's use of the death penalty and its judicial processes, which have attracted criticism from international human-rights groups.

The Chinese central government doesn't disclose death-penalty statistics. But Amnesty International estimates that China executed at least 1,718 people last year, the most of any country, followed by 346 people executed in Iran, 102 in Saudi Arabia, and 37 in the U.S.

Associated Press

Roseann Rife, the deputy director of Amnesty's Asia Pacific program, said the number of executions in China in 2008 could be as high as 5,000 or 6,000. She said Mr. Shaikh's nationality didn't seem to be a factor in his sentencing, but because his case received high-profile attention there was reason to hope for a different outcome.

Ms. Rife called the lack of consideration for outside concerns "a comment on the Chinese government's disregard for international opinion, disregard for international human-rights obligations, and also a real disregard for the rule of law."

Ms. Jiang said China "is very cautious in applying the death penalty." She added: "China is a country ruled by law, and our justice agencies are strictly doing their job based on law."

—Cassandra Vinograd in London contributed to this article.

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Agence France-Presse

Increased tourism in Hong Kong lifted retail sales value for the third month in a row in November. Above, people cross a street in Tsim Sha Tsui district on Tuesday.

Tsang warns of Hong Kong downturn

Chief executive pessimistic about pace of recovery, with double-dip possible in 2010; retail sales surged in November

By Chester Yung

HONG KONG—Hong Kong Chief Executive Donald Tsang warned Tuesday that the city could face a double-dip downturn in the middle of next year, because of continued uncertainties about the state of the global economy.

Also, the government said Hong Kong's retail sales value rose at a faster-than-expected double-digit rate in November, lifted by increased tourism and a continued improvement in the local economy.

Retail sales have increased three months in a row and the momentum will likely continue in the coming months, economists said. However, the growth rates will slow to the high single digits in the first quarter next year as the effect of a low comparison base fades, they said.

The value of Hong Kong's retail sales in November rose 11.7% from a year earlier to 22.9 billion Hong Kong dollars (US$2.95 billion), from October's 9.8% rise, the Census and Statistics Department said.

The growth rate was faster than the median 7.9% forecast of seven economists surveyed earlier by Dow Jones Newswires, and was the highest since August 2008's 10.3% rise.

In price-adjusted volume terms, retail sales rose 9.8% in November from a year earlier, higher than October's 8.3% increase and above the survey's median forecast of a 7% rise. Hong Kong's retail sales in the January-November period fell 1% from a year earlier in value terms, and 2% in volume terms.

"The levels of retail sales in recent months had already surpassed those before the outbreak of the financial tsunami," the government said in a statement.

Irina Fan, a senior economist at Hang Seng Bank, said the growth rates in Hong Kong's retail sales in the fourth quarter were partly lifted by comparisons with depressed levels in the year-earlier period, when the economy was hit by the global financial crisis.

But she added: "The unemployment rate has already peaked and a pickup in tourism is also supporting domestic consumption."

Hong Kong's unemployment had dropped to 5.1% in the September-November period, having been at a peak of 5.4% between April and August.

The number of visitors to Hong Kong in November rose 7.6% to 2.6 million, Hong Kong Tourism Board data show.

Ms. Fan said she expects Hong Kong's retail sales to continue to grow in the double digits in value terms in December, helped by a loosening of restrictions on visits to the city by residents of neighboring Shenzhen.

Still, remarks by Hong Kong's leader at a conference in Beijing raised the possibility of another downturn in the middle of next year.

"[Hong Kong's] economic recovery won't be a smooth one, and I am prepared," Mr. Tsang said. "I am a bit pessimistic on the pace of recovery and we may experience a double-dip in the middle of next year."

He said the government has adequate resources to cope with any adverse economic conditions.

Reuters

Hong Kong Chief Executive Donald Tsang, shown last month.

China details missing billions

By Andrew Browne

BEIJING—In a report that underscores the depth of official corruption in China, auditors discovered that 234.7 billion yuan ($34.3 billion) disappeared from public funds in the first 11 months of this year, state media reported.

Cases involving 67 senior officials and 164 others were handed over to judicial authorities.

Premier Wen Jiabao has called on state auditors to review public-investment projects to help avoid embezzlement and waste, Xinhua news agency reported.

The auditors said that in addition to the money that government officials embezzled, 16.3 billion yuan was wasted during the same period, Xinhua reported.

Official corruption is one of the main causes of social unrest in China, and the country's leaders have publicly warned that it has become so widespread that it now threatens Communist Party rule.

This year, the government has flooded the economy with funds as part of a four-trillion-yuan economic-stimulus plan, offering new opportunities for unscrupulous officials to illicitly profit from the program. The stimulus money has mainly taken the form of bank loans channeled through state-owned companies.

The audit covered more than 20,000 government officials, including provincial cadres and heads of large state-owned enterprises, Xinhua reported.

South Korea's surplus shrinks

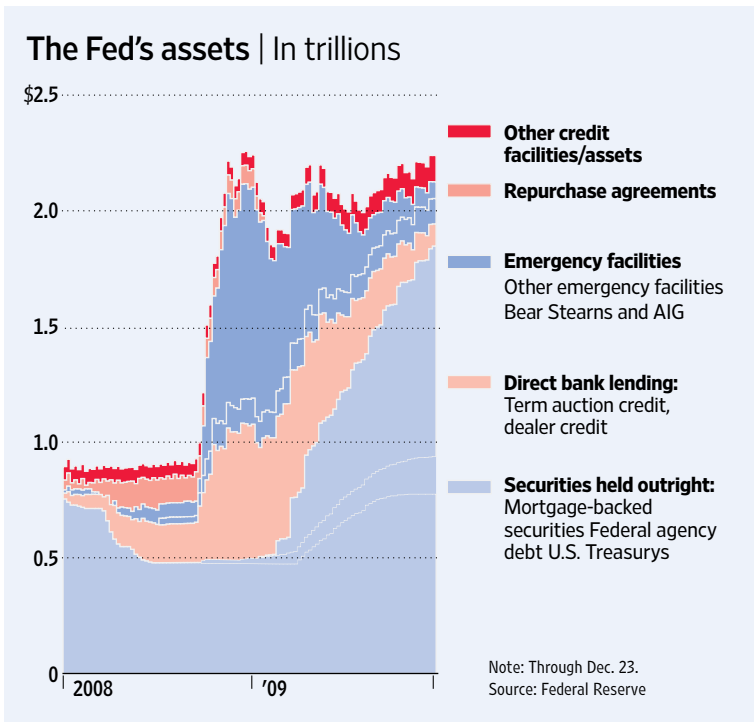
SEOUL—South Korea's current-account balance remained in the black for a 10th consecutive month in November, setting a record for an 11-month period, as weak demand for goods at home pared imports of raw materials.

Still, the surplus shrank in November from the previous month, mainly due to a widened deficit in the service account, Bank of Korea data released Tuesday showed.

The current-account surplus, the broadest measure of Korea's trade with the rest of the world, totaled $4.28 billion in November, declining from a revised $4.76 billion in October. That compared with a surplus of $2.41 billion a year earlier.

The surplus totaled $41.15 billion from January to November, compared with a deficit of $6.55 billion in the year-earlier period. The surplus trend will likely continue next year, further supporting the Korean won, although the size of the surplus is expected to shrink as imports rise with increasing consumption, economists said.

Seasonally adjusted, the surplus narrowed to $1.17 billion in November from a revised $3.25 billion in October.



Fed proposes new tool for draining extra cash; U.S. home prices flat

By Sudeep Reddy

The Federal Reserve has proposed selling interest-bearing term deposits to banks, a move the U.S. central bank would make when it decides to drain some of the liquidity it pumped into the economy during the financial crisis.

The new facility is intended to help ensure that the Fed can implement an exit strategy before a banking system awash with Fed money triggers inflation.

Fed Chairman Ben Bernanke has described term deposits as "roughly analogous to the certificates of deposit that banks offer to their customers." Under the plan announced Monday, the Fed would issue the term deposits to banks, potentially at several maturities up to one year. That would encourage banks to park reserves at the Fed rather than lending them out, taking money out of the lending stream.

The central bank said the proposal "has no implications for monetary policy decisions in the near term."

"The Federal Reserve has addressed the financial market turmoil of the past two years in part by greatly expanding its balance sheet and by supplying an unprecedented volume of reserves to the banking system," it said. "Term deposits could be part of the Federal Reserve's tool kit to drain reserves, if necessary, and thus support the implementation of monetary policy."

Michael Feroli, an economist at J.P. Morgan Chase, said "it's another step forward in the exit-strategy infrastructure, but it's been well flagged in advance, so it's not a surprise."

When Fed officials decide to tighten credit, they would likely use the term-deposits program ahead of—or in conjunction with—adjusting their traditional policy lever, the target for the federal funds interest rate at which banks lend to each other overnight.

The Fed also said Monday that its balance sheet rose slightly to $2.2 trillion in the week ending Dec. 23. The Fed's total portfolio of loans and securities has more than doubled since the beginning of the financial crisis.

As part of its efforts to fight the downturn, the central bank is buying $1.25 trillion in mortgage-backed securities, a program it says will end in March. The Fed now holds $910.43 billion in mortgage-backed securities, it said Monday.

Meanwhile, U.S. home prices decreased at a slower annual rate in October, according to the S&P Case-Shiller home-price indexes, but prices were flat compared with September.

Also, U.S. consumers in December turned more optimistic as expectations rose to a two-year high, according to a report released Tuesday by the Conference Board, a private research group.

The indexes showed prices in 10 major metropolitan areas fell 6.4% in October from a year earlier, while in 20 major metropolitan areas, home prices dropped 7.3% on the year. However, both indexes were flat in October compared with the previous month.

David M. Blitzer, chairman of S&P's index committee, said the data, best described as flat overall, will likely "spark worries that home prices are about to take a second dip" as they come after a series of solid improvements.

"The turn-around in home prices seen in the spring and summer has faded with only seven of the 20 cities seeing month-to-month gains, although all 20 continue to show improvements on a year-over-year basis," he said.

All 20 major metropolitan areas again posted declines from a year earlier, the 19th time in a row. Las Vegas continued to be hit the hardest, remaining the one market that has not seen a glimmer of hope so far this year. Prices have declined there for 38 consecutive months.

The Conference Board said its index of consumer confidence increased to 52.9 this month, from a revised 50.6 in November. The current month's reading was close to economists' projection of 53.0, according to a survey by Dow Jones Newswires.

The present situation index, a gauge of consumers' assessment of current economic conditions, fell to 18.8 from a revised 21.2 in November, originally reported as 21.1. The December reading was the lowest since February 1983, the board said.

—Luca Di Leo, Joan E. Solsman and Kathleen Madigan contributed to this story.

Debt Crisis to Test Europe in 2010

[European Outlook]

By Terence Roth

After two years of crashing banking systems and economic recession, the euro zone enters 2010 with a full-blown debt crisis.

The European Commission warns that public finances in half of the 16 euro-zone nations are at high risk of becoming unsustainable. Governments will spend the next year and beyond balancing the urgent need to fix public-sector debt and deficits—without imperiling what appears to be a feeble economic recovery. Even the staunchest optimists in Brussels and Frankfurt see a rocky process, with rating firms poised for more downgrades and bond markets meting out daily judgment over how governments are doing.

Greece and Spain saw their ratings downgraded. Ireland and Portugal have been warned they could be next. Even broader downgrades threaten if other European governments don't shape up. Fitch warns in a December report that particularly the U.K. (which isn't in the euro zone) and Spain and France (which are) risk being downgraded if they don't articulate more-credible fiscal-consolidation programs over the coming year given the pace of fiscal deterioration.

With the young currency bloc facing the first major test of its fiscal reliability, financial markets are hedging their bets. The euro ended 2009 slipping off its highs for the year and bank stocks were sliding on perceptions that their government bond holdings could lose value.

Economists worry that the fiscal damage could take years to repair. The recession that has gripped the euro zone since mid-2008 collapsed tax revenues and sent welfare costs soaring. Billions of euros dedicated to fiscal-stimulus plans and bank bailouts completed the devastation to government finances.

Investors also worry about the danger of a "double dip" European recession if governments get the timing and pace of budget consolidation wrong and choke off the recovery. That prospect comes alongside concerns of more ratings downgrades and higher default risk if governments act too slowly. Budget deficits for the region as whole in 2009 swelled to 6.4% of gross domestic product from 2% the year before. The EU forecast sees that gap widening to nearly 7% in 2010 before the worst is over.

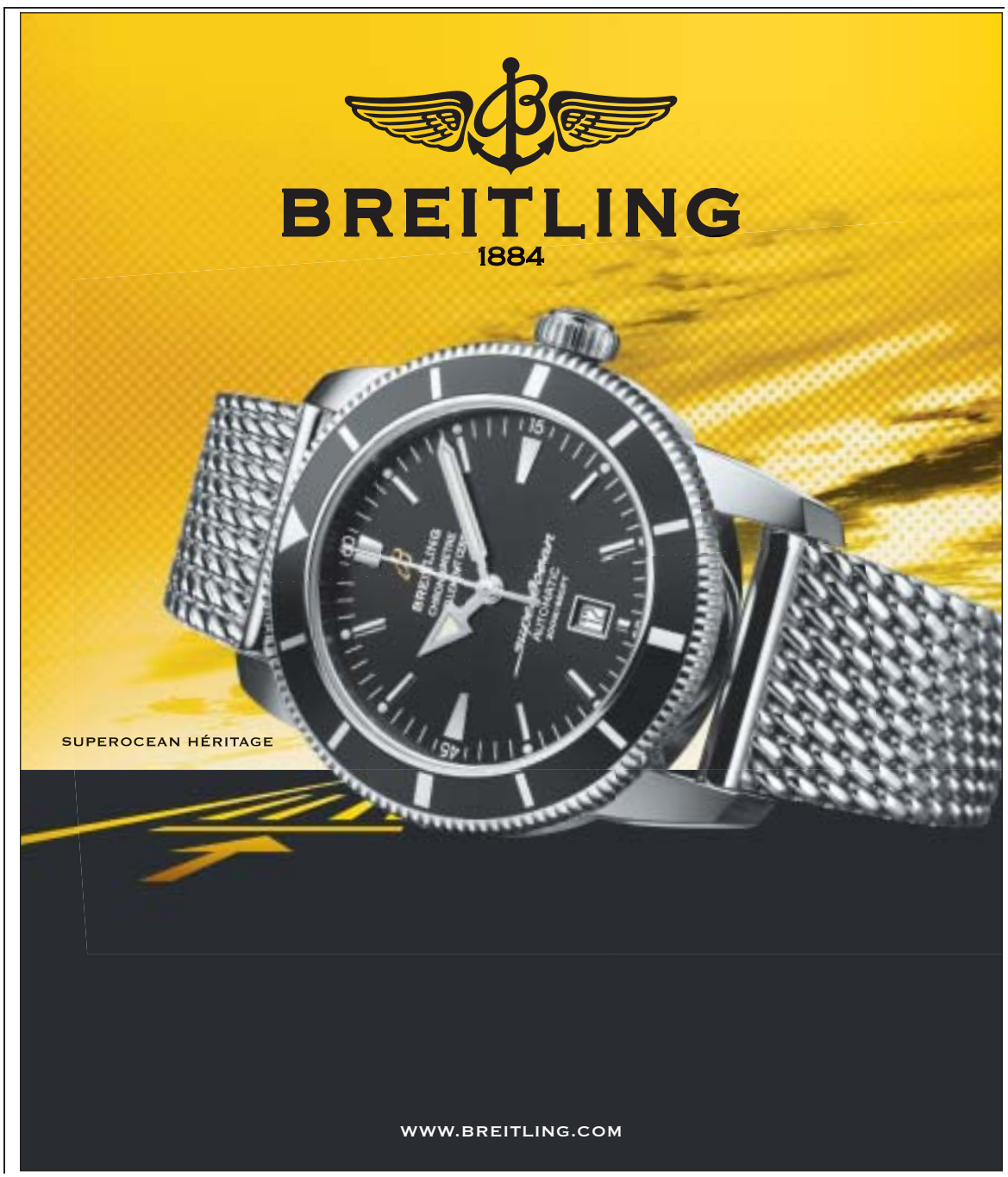
European Central Bank President Jean-Claude Trichet says he worries that runaway government borrowing could undermine his ability to hold down inflation, and wasted no opportunity to cajole governments back into line.

By contrast, Germany and France will increase spending to add fresh fiscal stimulus in 2010, in France's case swelling its budget gap to more than 8% of GDP next year, according to EU projections. The concern in Berlin and Paris is that rising unemployment, a lagging indicator that continues to rise in the early stages of recovery, will do enough to limit domestic demand without the governments also turning off the taps too early.

The fiscal juggling acts within a multinational currency union frame the test that worried skeptics before the euro's launch a decade ago. They said a monetary union unsupplemented by a political union risked a fiscal free-for-all among governments, especially in a full-blown recession. The next year will be a good time to prove them wrong.

The focus in early 2010 will remain on Greece and its budget deficit at 12.7% of GDP, four times the EU limit. The Greek government is trying to hammer together a political consensus in parliament for a plan to bring down public spending without triggering more social unrest seen in the country's streets at the close of 2009.

In January, Greece is due to submit what is expected to be a radical fiscal reform.



WORLD NEWS: AIRLINER BOMB ATTEMPT

U.S. missed signs of terror threat

Investigators say authorities didn't pursue leads on alleged Christmas Day bomber; system hasn't adapted to al Qaeda

WASHINGTON—U.S. authorities didn't pursue leads that might have brought alleged Christmas Day bomber Umar Farouk Abdulmutallab under further scrutiny, according to congressional investigators and U.S. officials.

By ***Evan Perez,***
Cam Simpson
and ***Siobhan Gorman***

The State Department forwarded Mr. Abdulmutallab's name to a basic U.S. terrorist watch list earlier this month, but didn't revoke his visa after Mr. Abdulmutallab's father alerted U.S. officials to his son's potential radicalization. His purchase of a $2,800 plane ticket with cash also didn't set off alarm bells.

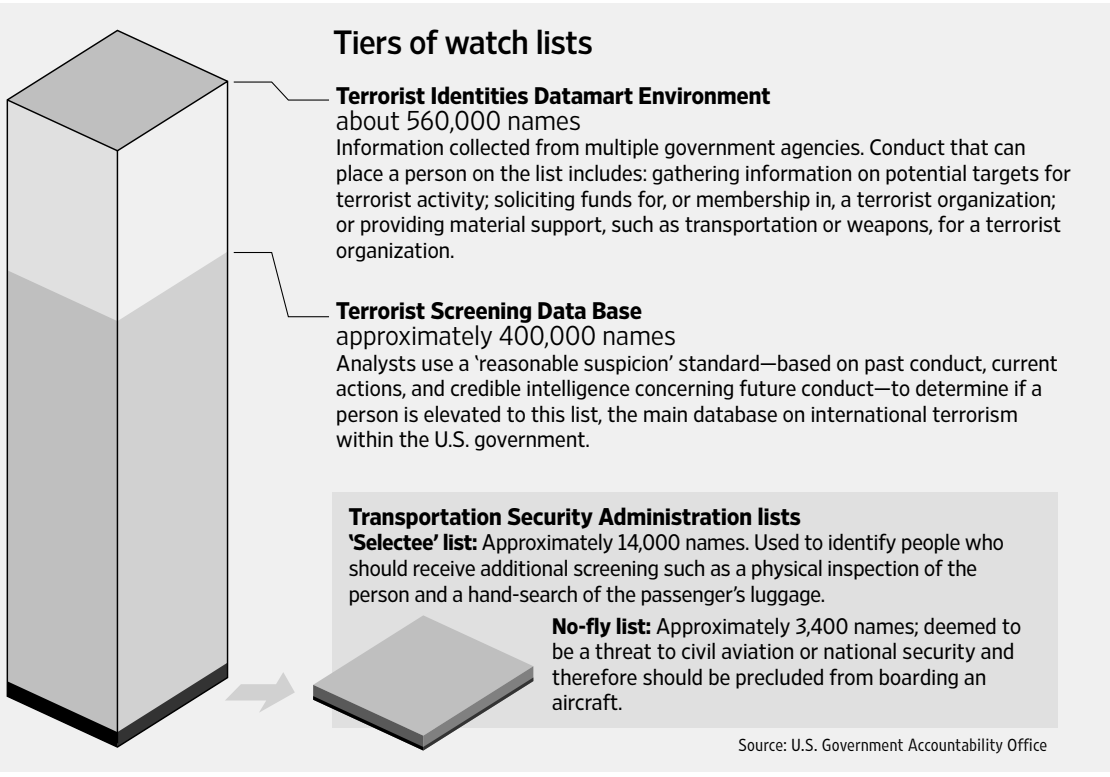
The case highlights a failure of the terrorist watch-list system to adapt to the evolving threat from al Qaeda, said one senior U.S. counterterrorism official. Intelligence reports have said for years that a growing threat comes from al Qaeda sympathizers who may not have a direct connection to its leadership.

U.S. terrorism defenses still rely on data that associate suspects with known al Qaeda operatives, rather than scrutinizing behavior that could indicate terrorist planning, the official said.

The Obama administration has launched a review of its screening, including the series of watch lists designed to prevent potential terrorists from traveling to the U.S. The review likely will include whether to require foreign airlines to report cash purchases of tickets overseas, a Homeland Security official said Monday.

One area of inquiry is whether the State Department should have revoked Mr. Abdulmutallab's multiple-entry visa after his father on Nov. 19 came to the U.S. Embassy in Abuja, Nigeria, and reported that his son might have extremist ties in Yemen. A revocation could have forced Mr. Abdulmutallab to reapply, giving authorities a chance to interview him.

Instead, State Department officials say, the day after the father's visit, the agency put a note in Mr. Abdulmutallab's internal State Department file that would trigger an investigation if the Nigerian applied for a new visa in the future.


Tiers of watch lists
Terrorist Identities Datamart Environment
about 560,000 names
Information collected from multiple government agencies. Conduct that can place a person on the list includes: gathering information on potential targets for terrorist activity; soliciting funds for, or membership in, a terrorist organization; or providing material support, such as transportation or weapons, for a terrorist organization.
Terrorist Screening Data Base
approximately 400,000 names
Analysts use a 'reasonable suspicion' standard—based on past conduct, current actions, and credible intelligence concerning future conduct—to determine if a person is elevated to this list, the main database on international terrorism within the U.S. government.
Transportation Security Administration lists
'Selectee' list: Approximately 14,000 names. Used to identify people who should receive additional screening such as a physical inspection of the person and a hand-search of the passenger's luggage.
No-fly list: Approximately 3,400 names; deemed to be a threat to civil aviation or national security and therefore should be precluded from boarding an aircraft.
Source: U.S. Government Accountability Office

Although the State Department has the authority to independently revoke a visa, the agency rarely makes such decisions on its own. Instead, it relies on investigations by the U.S. National Counterterrorism Center, the multiagency clearinghouse for terrorism information.

The warning by Mr. Abdulmutallab's father should have been combined with information from airline personnel, such the suspect's purchase of his ticket with cash and his carrying only a backpack for an international flight. That behavioral profile "doesn't mean he should be on the no-fly list, but he should be checked out," the counterterrorism official said.

Embassy personnel sent a report about Mr. Abdulmutallab to intelligence and counterterrorism officials in the U.S., as required by law. That prompted intelligence officials to create a record in the National Counterterrorism Center's TIDE database, a repository of 560,000 individuals that many agencies rely on to create their own, smaller watch lists.

But the data didn't merit further action because they didn't meet the threshold of "reasonable suspicion," said one U.S. intelligence official. Only if Mr. Abdulmutallab had been elevated to a narrower watch list would he likely have been stopped and questioned.

Another U.S. security flag that should have been triggered, according to airline industry experts, was one designed to discriminate between air travelers who are known customers—who pay with credit cards and whose data match previously used information—and those who are less known, such as those who pay with cash.

On Dec. 16, Mr. Abdulmutallab paid cash in Accra, Ghana, for a reservation, and provided no contact information, according to Nigerian authorities. U.S. systems designed to scrutinize cash-ticket purchases weren't triggered, people briefed on the probe say, so Mr. Abdulmutallab didn't get a secondary screening in Amsterdam.

A Homeland Security official said cash purchases don't have to be reported from overseas because they are common, especially in poor countries.

Mr. Abdulmutallab carried a valid U.S. visa printed into a Nigerian passport equipped with the latest security features, Nigerian authorities said.

The bombing attempt could also prompt scrutiny from U.S. lawmakers of the Air Marshals program, which was beefed up after the Sept. 11, 2001, terror attacks. According to Rep. Peter King (R., N.Y.), there were no marshals on the Christmas Day flight, nor on the same flight two days later where another passenger disruption occurred.

—Susan Carey contributed to this article

Obama ends silence with stern warning

By Peter Wallsten And Elizabeth Williamson

President Barack Obama, under fire from Republicans for keeping too silent on the attempted Christmas bombing of a U.S. jetliner, took a break from his Hawaiian vacation to assure Americans that he was working to keep them safe.

"We will continue to use every element of our national power to disrupt, to dismantle and defeat the violent extremists," he said Monday.

The statement followed three days in which the White House had delegated public responses to subordinates. Officials debated over the weekend whether to state publicly that the security system had failed, according to a senior counterterrorism official.

The dilemma was on display Monday when Homeland Security Secretary Janet Napolitano appeared to backpedal from televised comments over the weekend in which she declared that, once the attack happened, "the system worked." Ms. Napolitano conceded Monday that the system didn't work in allowing a terrorist onboard the plane. She said her earlier comments were taken out of context.

The White House said Mr. Obama was right to wait a few days to learn the facts before speaking in public. "The president has been in hour-to-hour touch with his top aides, and after having a chance to thoroughly review where we were at the end of the weekend, he decided he wanted to address the American people," said deputy press secretary Nick Shapiro.

Agence France-Presse/Getty Images

President Barack Obama said Monday in Hawaii that the U.S. would use 'every element' of its power to defeat terrorists.

The administration has sometimes struggled with how to convey its antiterror actions to the public. President George W. Bush's administration frequently highlighted cases in which it contended terrorists were stopped. The Obama administration has continued some of Mr. Bush's antiterror policies.

But officials, taking heat both from members of Mr. Obama's liberal base disappointed that he hasn't ended all Bush-era tactics and from conservatives who accuse him of being too weak, are still weighing how to talk about terror-fighting strategies.

The president's words Monday drew praise from Rep. Peter King (R., N.Y.), but the congressman said Mr. Obama should have spoken out immediately. "The country expects that from the commander in chief," Mr. King said. Administration officials "just don't seem to have the felicity of phrase [on terrorism] as they do when it comes to global warming or health care," he said. "Maybe they're afraid if they talk about terrorism they'll sound like Bush and Cheney."

Sen. Joseph Lieberman (I., Conn.), a frequent critic of the administration's antiterrorism strategies, said Monday that the president couldn't be fairly criticized for waiting to speak on the matter.

"The question is whether for some reason people would have felt better if he had come out sooner," said Mr. Lieberman. "To me, this is not a significant question so long as the administration was on top of what was happening."

Tools needed for big budget surgery

Righting deficit demands number crunchers and more; timing of U.S. plan worries director Orszag; 'almost laughable'

BY JOHN D. MCKINNON

Think your job is tough? Consider the task facing Peter Orszag, the White House budget director.

Mr. Orszag is good with numbers—he is a London School of Economics-trained economist and the son of a Yale math professor. But even Mr. Orszag is going to have trouble solving this puzzle: how to bring long-term annual U.S. deficits down from their highest sustained levels since the early 1990s.

He is aiming to lower the deficit to 3% of gross domestic product within five years, down from an average of 5% that is projected for the decade beginning in 2010. In fiscal 2015, for example, it would require eliminating $180 billion from the $739 billion deficit that President Barack Obama's administration projects will occur under current budget plans.

To get a sense of how much money $180 billion is, consider that it is roughly the combined current annual spending of the U.S. departments of Commerce ($15.8 billion), Energy ($46.3 billion), Interior ($13 billion) and Transportation ($90.5 billion) departments.

The impetus to act is growing. Foreign investors such as the Chinese government, the U.S.'s largest creditor, are showing impatience with Washington's spending. With an eye to the 2010 elections, independent voters are worrying about the deficit.

Complicating matters, the Obama administration must time its budget surgery perfectly. Cut the deficit too fast, and it could depress demand and stifle the recovery. Cut too slowly, and it could force up interest rates and stifle the recovery.

The timing issue appears to worry Mr. Orszag as much as anything as he prepares next year's budget, which will be released in February. That document "will reflect our best judgment about how to walk that line," he said in a written response to a request for comment.

The Obama administration also might propose setting up a commission and requiring Congress to act on its recommendations. Sen. Kent Conrad (D., N.D.), who is proposing a deficit-reduction commission of his own, says he believes momentum is building for the idea.

But the administration could propose a commission that doesn't have much influence. And Congress could change the rules about the commission's authority later if it wanted to avoid difficult choices. For example, the Medicare prescription-drug bill of 2003 established a trigger mechanism to force Congress to consider deficit-reduction measures when Medicare's financial situation deteriorated. But since then, Congress has simply switched off the trigger each time it was set to force action.

"Too often, commissions are a way to pretend you are doing something or create the appearance of something being done when in fact it isn't," said Robert Reischauer, president of the nonpartisan Urban Institute and a former director of the Congressional Budget Office. "The process can't force the Congress to do that which it doesn't want to do or regards as political suicide."

And many Republican leaders say they doubt the Obama administration's commitment to deficit reduction, especially while the White House is promoting a planned expansion of the government's role in health care.

Getty Images

U.S. budget director Peter Orszag says next year's budget, to be released in February, 'will reflect our best judgment' about the timing of cutting the deficit.

Sen. Judd Gregg of New Hampshire, the Senate Budget Committee's top Republican, says he doubts the White House will propose any meaningful action on deficit reduction. "It's so disingenuous it's almost laughable," he says of the administration's—and Mr. Orszag's—promises to address the deficit problem. "I don't think there is any seriousness to it at all."

Each method of cutting the deficit has its own particular drawback. Here is a look at some of the possibilities:

1. Do nothing

Strange as it seems, the easiest way to get the deficit under control is to do nothing.

Some of the biggest drivers of long-term deficits are an array of middle-class tax breaks set to expire at the end of 2010. They include rate cuts made during the administration of President George W. Bush, child credits and the annual relief that Congress regularly passes to shield middle-income earners from the Alternative Minimum Tax. (The AMT, a 1960s-era provision aimed at high-income Americans, is hitting more people because it was never indexed for inflation.)

If Congress and the White House let those breaks die next year, the deficit problem would be solved overnight.

That isn't going to happen. Such a move would violate Mr. Obama's pledge not to raise taxes on families making less than $250,000. Congressional Democrats also are wary of allowing the Bush-era tax breaks to expire now that they are in charge. Instead, they likely will allow only those for the well-to-do to disappear, raising taxes for families with incomes around $250,000 and up.

2. New taxes

One idea that has garnered attention is a value-added tax, essentially a tax on businesses' sales of goods and services, which is widely used in Western Europe. It would stir fierce opposition among companies at a time when the administration is trying to reassure business that it is safe to start adding jobs again.

Because a VAT is a tax on consumption, it would tend to fall disproportionately on lower-income earners. There are ways to cushion that impact. But administration officials haven't shown much enthusiasm for a VAT.

Another possibility is a tax on Wall Street trading. That could raise huge sums, as much as $150 billion a year. Some in the administration, including Treasury Secretary Timothy Geithner, worry it could drive trading offshore unless it is coordinated with other countries, a process that could take years.

3. Fundamental changes

Changes to entitlement spending and income taxes could be on the table. Among the possibilities are raising Social Security taxes for higher earners; limiting the rate of entitlement benefit increases; and further tightening health-care spending rules that Congress has spent much of this year crafting. For corporations, one idea would be to put an expiration date on business tax breaks so that they would die unless Congress voted to extend them.

Since these changes would face tough opposition, the administration might prefer to build consensus for some of them through a special commission. Congress has created special deficit-reduction mechanisms in the past, but those measures have met with only mixed success.

The Gramm-Rudman-Hollings act of 1985, for example, called for automatic spending reductions if budget targets weren't met. But Congress often found ways around it. Budget deals of the 1990s relied on spending caps and pay-as-you-go rules to bar legislation that added to the deficit, but those rules proved porous, too.

On the other hand, a special commission led by Alan Greenspan in the early 1980s to fix a looming shortfall in Social Security worked effectively, even though its fix involved both raising taxes and increasing the retirement age.

4. Magic asterisks and rosy scenarios

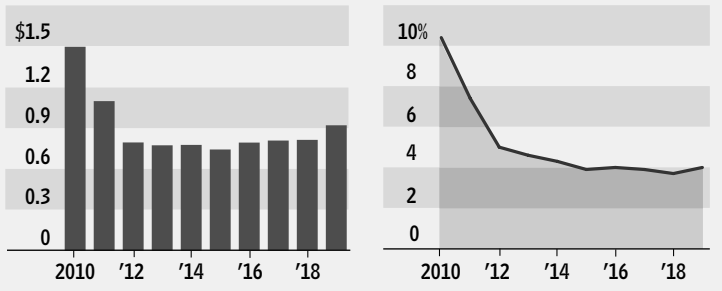
In Washington, if all else fails, fudge. Such techniques were referred to derisively as "magic asterisks" and "rosy scenarios" during the Reagan administration in the 1980s.

"If the [Securities and Exchange Commission] had jurisdiction over the White House, we might have all had time for a course in remedial economics at Allenwood Penitentiary," former Reagan budget director David Stockman recalled in his memoir.

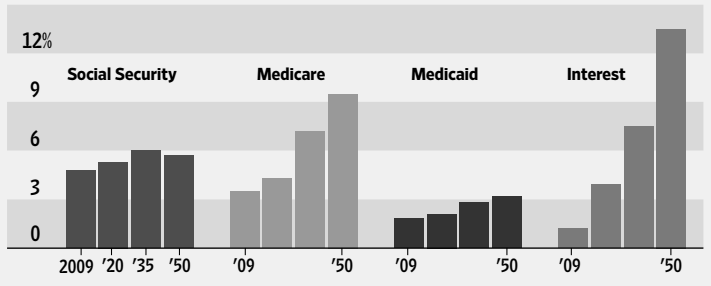
For example, the administration could set specific targets for deficit reduction—or spending cuts or revenue increases—without specifying how they would be achieved.

Red ink blues

U.S. budget deficits will remain well above 3% of GDP – the level economists consider sustainable – for the foreseeable future under current White House projections.



Projected growth in major entitlement spending and related interest costs under one congressional forecast, as a percentage of GDP:



Sources: White House Office of Management and Budget (deficit forecasts); Congressional Budget Office (entitlement spending)

THE PROPERTY REPORT

Europe's landlords hope for revival

Theory is a drop in office completions and recovering economy will push up rents; wrenches are politics, economy

By William Boston
Special to the WSJ

When the credit crunch hit European property markets in 2008, speculative office development screeched to a halt.

As office rent began to decline and vacancies rose over the past year, one hope remained for Europe's landlords: Almost no one was ready to sink money into a new office construction pit. The combined forces of a coming squeeze on office space and a robust economic recovery reviving demand would cause rents to rise again.

Nice theory. But chances are it won't play out that way. Europe's economic recovery isn't likely to be as strong as anticipated by financial markets. Unemployment is still rising, which is one of the factors that is driving vacancies for European office space close to 10%. And political meddling could have unexpected consequences for commercial property markets.

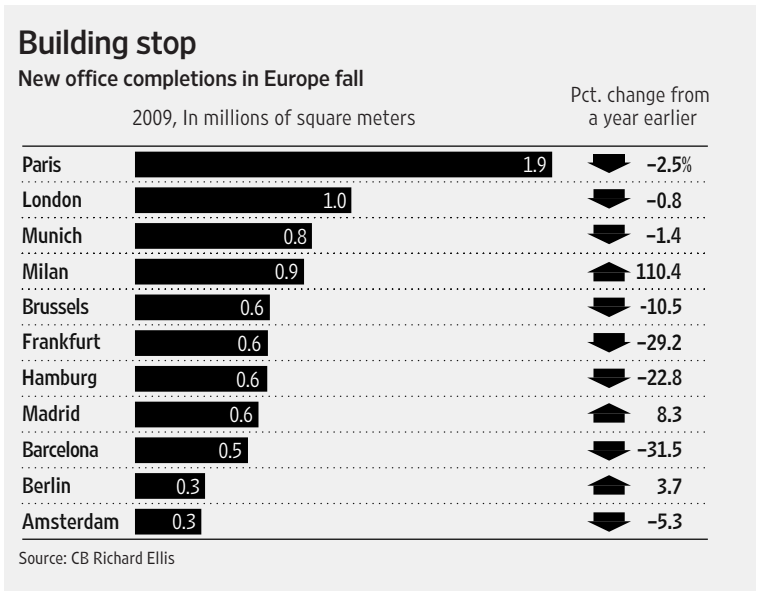
One example of that political monkey wrench is the outrage in London banking circles over the U.K. government's plan to impose a 50% income tax on discretionary bonuses greater than £25,000 at all banks in the UK.

After word leaked out this week that James Dimon, chief executive of J.P. Morgan Chase & Co., spoke to Alistair Darling on Dec. 9 on the telephone about the tax, speculation emerged that Mr. Dimon threatened not to build a new European headquarters for the bank at Canary Wharf if the UK government moves ahead with the tax. J.P. Morgan purchased the land in 2008 and is to decide this year whether to move forward with the £1.5 billion ($2.4 billion) project.

"There were no threats made on the call and we have made no decisions on people or buildings based on the super-tax announcement," a J.P. Morgan executive said.

The recovery theory goes like this: The development cycle will peak in 2010 in terms of new office completions. Then, in 2011, just as the economy gets under way, rising demand for office space from banks, multinational corporations, law firms and other tenants will run into a dearth of available space, driving rents higher again. Landlords, who now routinely offer long rent-free periods to lure tenants, will make money, and developers, spotting the opportunity, will start investing, banks will start lending, and the cycle will start again.

Already, the likely amount of space that will hit the market is shrinking. Property consultants **CB Richard Ellis** estimates that as of the end of September, developers expected to complete about eight million square meters of new office space by the end of 2010, or 4.4% less space compared to developers' expectations at the end of 2008.



To be sure, Europe's office landscape is uneven. Expected office completions in Barcelona, a major office market in Spain, were down 31.5%, the steepest decline in Europe, according to CBRE data. The big exception was Milan, where expected new completions more than doubled. The report didn't explain the broad range.

When the credit crunch hit, developers delayed or cancelled many projects. As a result, CBRE expects a slight increase in completions next year but the number of new office completions will drop dramatically in 2011 when past projects are completed and few new projects are launched. Richard Holberton, a director on CBRE's European research team in London, says the lack of new development could produce "a possible fall in completions of around 40%, which would take [the decline in new completions] close to the levels that followed the early 1990s recession."

Mr. Holberton says that the reduced supply of new office space coming onto the market will "act as a general cushion against the worst effects of subdued demand."

In London, expected development completions in London in 2011 and 2012 will hit a 30-year low, broker **Drivers Jonas** LLP said in a note to clients. "This scarcity of premium product will drive rental growth," it said.

Up against this are vacancy rates. By the end of the September, vacancy rates in major European markets had risen to 9.7%, according to Jones Lang LaSalle. This year, European office markets experienced office oversupply of more than 500,000 square meters for the first time since 2003.

"Given the fragile prospects on the demand side, vacancy levels are expected to rise further and significant amounts of space will leave rents under pressure," Jones Lang LaSalle said in the report.

Even if the squeeze scenario emerges and new offices are in short supply, it is uncertain how much support the lack of supply will give to rents because tenant demand will remain sluggish as long as the economy is weak.

"With the speed and strength of economic recovery still uncertain, a more widespread recovery is tenant demand across different markets and grades of space could be a very gradual process," Mr. Holberton says.

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Preuksa seeks growth in China and Indonesia

By Oranan Paweewun

BANGKOK—**Preuksa Real Estate** PCL said it may increase its investments in China and Indonesia and expand to the Maldives as the Thai property developer pushes to lift revenue to 100 billion baht ($3 billion) by 2017.

Chief Operating Officer Prasert Taedullayasatit said the company is in talks to set up a joint venture with the Maldives government to construct a low-rise residential project next year. In the meantime, he said, Preuksa is exploring investment opportunities in China and Indonesia as both countries have large populations and residential demand is strong.

The company wants to build up its portfolio outside Thailand to diversify its revenue streams and seek new growth markets. Its first foray overseas was in two wholly owned residential projects in India this year, followed by an 85%-owned project in Vietnam in the second half of the year. Mr. Prasert said the company will realize around one billion baht next year from the projects in India and Vietnam.

Revenue from overseas investments is expected to contribute 40% of the company's total revenue target of 100 billion baht in 2017, he said.

The company this year set an industry record by chalking up presales of 23 billion baht, besting the 22 billion baht recorded in 2005 by Land & Houses PCL, Thailand's largest property developer by revenue.

Preuksa's presales in the current quarter are poised to hit eight billion baht, beating its previous quarterly high of 5.99 billion baht in the three months ended in September. Preuksa previously targeted presales of 18 billion baht and revenue of 17 billion baht for this year. Mr. Prasert said the company's revenue this year will exceed its target, while net profit will rise from last year's 2.73 billion baht.

"The key to success is our cost competitive edge and speed of construction. Our building cycle for townhouses and single-detached houses takes around 60 days only, but our suppliers give us 75 days in credit. It means we have money from customers' reservation before we pay to the suppliers," he said.

Townhouses and single-detached houses account for 75% of the company's revenue, while condominiums bring in the rest. Preuksa is expected to post 25-30% increases in both presales and revenue next year, well above the industry's rate of 5%-10%, Mr. Prasert said.

Its backlog at the end of this year will be 15 billion baht to 16 billion baht, of which 10 billion baht will be realized as revenue in 2010, he said.

The property developer's net profit next year will be higher than 2009, based on the assumption that the Thai government will not extend property-tax incentives for the sector, he said.

The incentives, which are to expire on March 28, include a reduction of a specific business tax for developers to 0.1% from 3.00% and a cut in land transfer and registration fees to 0.01% from 2% and 1%, respectively.

The Deficit Commission Trap

After signing a $787 billion economic stimulus and embracing two annual blowout budgets that will double the national debt over 10 years even before ObamaCare, President Obama is poised to pivot next (election) year and denounce the horrors of deficit spending. So the White House is now floating a bipartisan commission to reduce federal borrowing, and much of the political class is all for it.

We only hope Republicans aren't foolish enough to fall down this trap door, though some are already tempted. A budget deficit commission is nothing more than a time-tested ploy to get Republicans to raise taxes. In the 2009 version, Republicans are being teed up to hold hands with Democrats and agree to become the tax collectors for Obamanomics.

The deficit reduction commission is a longstanding idea that is now being pushed with renewed fervor by Republican Frank Wolf of Virginia and Democrat Jim Cooper of Tennessee in the House and Democrat Kent Conrad of North Dakota and Republican Judd Gregg of New Hampshire in the Senate. All you need to know about the sincerity of the two Democrats is that they're both supporting the multitrillion-dollar health-care entitlement even as they moan about the fiscal dangers of current entitlements.

Mr. Wolf says the commission would be "a 16-member panel that would look at everything—from what the government is required to spend on mandatory entitlements to spending on all other programs to tax policy." Congress would agree to vote up or down on the package through expedited procedures without amendments. Messrs. Gregg and Wolf believe this is the only way to force a Washington consensus to slow the growth of federal spending.

> Democrats now want Republican cover for their tax increases.

They're correct that current federal commitments are unsustainable, starting with $37 trillion in unfunded Medicare liabilities. They're also right that a Washington consensus is likely to emerge from such a commission, but history shows it is unlikely to favor more than token future spending reductions. The real goal is to get GOP political cover for tax increases so Democrats aren't run out of town in 2010 and 2012 for blowing up the national balance sheet.

Let Mr. Conrad explain: "If one looks at the history of how these major [deficit reduction] agreements have been reached, it's almost always been through some sort of special process." He mentions in particular the 1983 Social Security commission and the 1990 budget deal.

Remember those gems? In 1983 Ronald Reagan and Congressional Republicans agreed to decades of job-destroying increases in payroll taxes to "fix" Social Security, which you may have noticed still isn't fixed. As for 1990, that was the infamous Andrews Air Force Base summit when President George H.W. Bush renounced his no-new-taxes pledge and made himself a one-termer. No wonder Mr. Conrad wants a repeat. The budget deficit nearly doubled in the year after that deal, and it wasn't eliminated until Republicans took Congress in 1994 and reduced the rate of spending increases.

Democrats are candid, at least in private, about the kind of the deal they have mind this time around. Democrats would agree to means-test entitlements, which means that middle and upper-middle class (i.e., GOP) voters would get less than they were promised in return for a lifetime of payroll taxes. Democrats would also agree to cut appropriations by two or three percentage points and live under pay-as-you-go budget rules—the same rules Democrats promised to live by in 2006 but have since violated routinely.

In return, Republicans would agree to an increase in the top income tax rate to as high as 49% and in addition to a new energy tax, a stock transaction tax or value-added tax. The Indians got a better deal for selling Manhattan.

New taxes will only reduce the pressure to cut future spending. From 2001 to 2008, under President Bush, federal spending on discretionary spending grew by 54%. Mr. Obama's policies have expanded these agency budgets by another 57% over just two years. So an offer to cut these programs by 2% to 3% gives up very little.

The other big spending drivers are Medicare and Medicaid, which grew in fiscal 2009 by 10.1% and 24.6% respectively. But the House and Senate health bills would vastly expand the latter and likely retain the status quo for the former, at least at first. And rather than use repaid financial bailout money to reduce the deficit, Democrats are now moving to take $130 billion in TARP cash and spend it on a new "jobs" stimulus even as the economy has begun to grow again. Why should Republicans sign up as the tax collectors for this agenda?

The Democrats will use a tax-and-spend commission to confront Republicans with the false choice between huge tax increases or fiscal disaster. Republicans should respond with their own choice: They'll agree to a deficit commission only if it takes tax increases off the table and forces all of Washington to confront the hard spending trade-offs between guns and butter, old and young, the poor and middle class, and social welfare and corporate welfare. Otherwise, Democrats should be forced to defend and finance their own destructive fiscal choices.

Al Qaeda's Clear Message

Apparently the fellows in al Qaeda took as a personal insult Secretary of Homeland Anxiety Janet Napolitano's comment Sunday that their role in the foiled Detroit airliner bombing wasn't clear but would be investigated. Monday, al Qaeda's ascendant franchise in the Arabian peninsula saved Secretary Napolitano the trouble of plowing through all the layers of the national-security bureaucracy for an answer.

> The U.S. has to rethink jihad's global terrorist recruitment.

The terrorist organization put out a pointed statement not only claiming responsibility but also mocking the U.S.'s ability to stop them. Umar Farouk Abdulmutallab, they said, "dealt a huge blow to the myth of American and global intelligence services and showed how fragile its structure is."

What this means is that we have to think more broadly about jihad and the potential recruitment of terrorists anywhere in the world, including inside the United States. America and its European allies have to revisit the problem of fiery imams using mosques as recruitment depots for airline suicide bombers. The close call in the airspace over Detroit gives "probable cause" new meaning.

Al Qaeda has sent a message to the Obama Administration: You are in a *war.* Someone in the U.S. government needs to say clearly that they now understand the message.

Government Flight From Hell

The Obama Administration is rarely careful about what it wishes for, and right in time for the holidays it has decreed there shall be no more flight delays. If you happen to be reading this editorial stuck in an airport, we sympathize, though the new regulations will almost certainly result in longer waits, more cancellations, higher ticket prices and even greater inconvenience.

Last week the Department of Transportation issued a hard-and-fast rule that carriers will be fined $27,500 *per passenger* if planes sit on the runway for more than three hours. For a typical 120-seat plane, that works out to about $3.3 million or more per violation. Transportation Secretary Ray LaHood, seizing the opportunity to pander, said at a news conference that "This is President Obama's passenger bill of rights."

It's not as though the airlines are marooning customers for kicks. Delays most often are caused by bad weather that disrupts schedules as they ripple through the system. Particularly in congested hubs like Chicago's O'Hare International and airports in metropolitan New York and New Jersey, problems are exacerbated by the paleolithic U.S. air traffic control system. Once a plane is on the tarmac, it is out of the control of the airline and under the auspices of the Federal Aviation Administration, using 1950s-era radar and voice-based communication.

> Uncle Sam has a fix for tarmac delays. Expect more delays.

Given the huge penalties incurred by breaching the arbitrary three-hour deadline, airlines are likely to give up their place in line for takeoff early and taxi back to the gate, meaning that it will take passengers even longer to reach their destinations as the boarding and queuing process starts over. Or they'll err on the side of pre-emptive cancellations in other cities that were depending on the arrival of the aircraft and crew. As scheduling becomes more conservative, prices will rise.

No one will deny that the U.S. airline industry often seems dazed and confused. Carriers overload flights during peak hours, and of course there are indefensible screw-ups like the six-hour delay in Rochester, Minnesota, this summer or the nine JetBlue planes frozen to the runway during a 2007 ice storm. But in general, offered the choice between the possibility of imminent clearance in five or 15 minutes, or even an hour, and the certainty of many more hours in the terminal or a night in the airport hotel, we wonder how many passengers really would opt for the latter.

"You know as well as I do that five minutes always extends out to 50 minutes, and almost always to five hours," Mr. LaHood snapped at his announcement when a reporter posed that question. "There's no such thing as five minutes, never, ever." For the record, according to his department's own statistics, over the past 12 months, only 33 flights, out of about 9.6 million flown, were delayed by more than five hours on the tarmac. About 1,500 were delayed by more than three—though that number as a percentage of scheduled departures is down to 1.76 out of 10,000 from 2.92 in 2000.

In other words, serious delays are bad when they happen, but they don't happen very often. And in the age of Yemen-made explosive underwear and emergency landings in the Hudson, perhaps the lingua franca of Mr. LaHood and the media—hostage-taking, torture, imprisonment, "the flight from hell"—should be reserved for more serious use.

The best way to reduce delays would be to modernize the air traffic control system through some kind of public-private operation that could tap capital markets to fund large-scale technology upgrades, rather than relying on taxpayers and the FAA bureaucracy. In the meantime, hassled travelers will have to settle for Mr. Obama's bill of rights, which will make travel even more of a hassle.

OPINION

Letters To The Editor

* * *

Chinese Currency Policy Robs America

Zachary Karabell's "The 'Global Imbalances' Myth" (op-ed, Dec. 22) offers much food for thought and some tasty morsels worth chewing over: There have always been imbalances, the worst of the crisis has been eased (for now, anyway), investor-class greed has escaped much of the blame it deserves, and it's wise to stay wary of proposed "fixes" that might end up worse than the problems themselves.

But isn't he missing the forest for the trees? No matter how positively he tries to parse the capital flows, the "Chimerica" imbalances are not redounding to the benefit of many Americans. You can't live better by saving money at Wal-Mart if you can't afford even the low prices because you have no job. Even the other main claimant to the "Chimerica" coinage, Niall Ferguson, no bleeding-heart liberal, now calls for "The End of Chimerica" and the paramount need for China's yuan revaluation in his latest working paper out of Harvard Business School.

As long as Mr. Karabell is going to cite his "blunt fact," here's another: China is stealing from the rest of the world, and especially from the American middle class, with its currency policies. Meanwhile, the crony-capitalist class in America and elsewhere gets a nice fat kickback for its enthusiastic help in enabling this system. It's of course good news to see the fortunes of so many Chinese rise with their country's newfound furious enterprise, but this should not be cheer-led by Wall Street and Washington—or by Wall Street Journal contributors—if it comes so much at the expense of so many Americans.

To bring this down to mean-streets level, no matter how much you blame the American-consumer junkie for his own terrible addiction, that excuses neither the Chinese pusher nor the protection money raked in by the Wall Street-K Street racketeers. To dismiss concerns of imbalance simply because it's a "working system" where the junkie gets his fix while the pusher and the protectors get their money—this is to ignore the elephant fact that it's a nasty system, ennobling none of the participants.

Mr. Karabell may as well argue that "dead zones" in the Gulf of Mexico are of no concern, just one phenomenon in a wider ecosystem that boasts great productivity from the agribusiness that dumps the chemicals that create the dead zone. The fact is, an increasing number of Americans find themselves trapped in a dead zone, and that is not good news, and neither is it myth.

John Donovan
Cannon Beach, Ore.

* * *

Productive 'Sinners' Atone With Aid

As Nigel Lawson brilliantly summed up, "The only breakthrough in Copenhagen was China's success in leaving Europe out in the cold" ("Time for Plan B," op-ed, Dec. 22). Belief in "man-made global warming" is a new religion. The "sinners" are the societies that managed to establish progressively productive economies. As in many other religions, the "sinners" must atone for their transgressions. The most common way of atoning is foreign aid. And, lo and behold, the parting shot by Hillary Clinton at the Copenhagen conference was a promise of gigantic aid flows in years to come.

One clear lesson learned by people long involved in economic development, including myself, is that foreign aid, especially from government to government, hardly contributes to economic growth, due to corruption, waste and shortage of functioning markets.

E.B. Ayal
Chicago

* * *

AMA Is Working With the Senate

In regard to your Dec. 22 editorial "Change Nobody Believes In": Make no mistake—the AMA is committed to permanent repeal of the broken Medicare physician payment formula that threatens access to care for seniors, military families and baby boomers. We are closer than ever to achieving that goal. On Saturday, Senate Majority Leader Harry Reid said that the Senate plans to work on the issue early in the new year, and the House has already passed legislation that repeals the current formula and updates payments to better reflect increasing medical practice costs. The two-month reprieve from the cuts will preserve access to care in the very short-term while the Senate works on permanent reform.

Our current health system is fragmented, and it's not working for far too many patients and the physicians who dedicate their lives to patient care. Reform of our health system is needed, and the Senate bill includes key benefits that will increase choice and access while eliminating insurance company tactics like denying coverage for pre-existing conditions. It also authorizes grants to test alternative medical liability reforms that show promise in benefiting patients and reducing the impact of defensive medicine. The AMA supports passage of the amended Senate bill, and we'll continue to work through the conference process to strengthen the bill.

J. James Rohack, M.D.
President, American Medical Association
Chicago

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Putting the Dis in Dissident

[Main Street]

By William McGurn

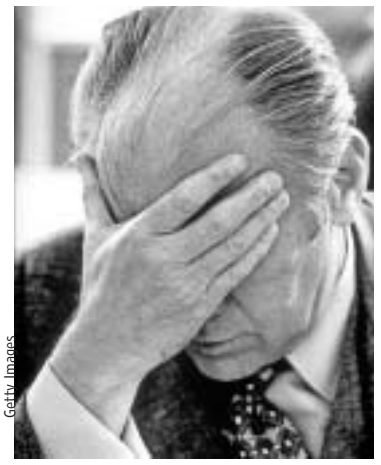
Here's a timely New Year's resolution the president might do well to deliver to his National Security Council: "When it comes to nasty regimes that brutalize their people, we will never again forget that the most powerful weapon in a president's arsenal is a White House photo-op."

The December headlines remind us that we have no shortage of these nasty regimes. In China, the government sentences Liu Xiaobo to 11 years in prison for writing a letter calling for legal and political reforms. In Iran, security forces fire on citizens marching in the streets. In Cuba, pro-government goons intimidate a group of wives, mothers and sisters of jailed dissidents—with President Raul Castro characterizing these bullies as "people willing to protect, at any price, the conquests of the revolution."

In all these cases, the cry goes up: Where is the president of the United States?

For a man whose whole appeal has been wrapped in powerful imagery, President Obama appears strikingly obtuse about the symbolism of his own actions: e.g., squeezing in a condemnation of Iran before a round of golf. With every statement not backed up by action, with every refusal to meet a leader such as the Dalai Lama, with every handshake for a Chavez, Mr. Obama is defining himself to foreign leaders who are sizing him up and have only one question in mind: How much can we get away with?

As Yogi Berra put it, it's déjà vu all over again. In his eagerness to downplay freedom in his foreign policy, Mr. Obama resembles no president so much as Gerald Ford. Barely a year into office, President Ford also made a symbolic choice for realism over rights.



Getty Images

Gerald Ford came to regret not meeting Solzhenitsyn.

The year was 1975. For its dinner in Washington, the AFL-CIO had invited Alexander Solzhenitsyn, a Nobel Prize winner exiled from his Russian homeland a year earlier, after publication of the first volume of his "Gulag Archipelago."

Republican senators tried to arrange for a meeting with Ford. Acting on the advice of Secretary of State Henry Kissinger, Ford nixed it.

The pragmatists thought that having the president get together with Solzhenitsyn would sour efforts for détente in a forthcoming meeting with Soviet leader Leonid Brezhnev. As usual the pragmatists were highly impractical. The refusal to meet Solzhenitsyn made Ford look weak. In many ways, the moment would forever define his foreign policy.

One of the leading critics of President Ford's decision was Ronald Reagan. In his own time as president, Reagan met with dissidents. He quoted Solzhenitsyn often. And when he so famously upset the establishment by referring to the Soviet Union as an "evil empire," Reagan no doubt recalled that night in 1975 at the AFL-CIO dinner—when Solzhenitsyn had referred to the Soviet Union as "the concentration of world evil."

Reagan set a tone that hit the Soviets in their most vulnerable spot: their lack of moral legitimacy. In retrospect, we can more easily see that Reagan's willingness to give voice to freedom-loving dissidents only increased his leverage as president as he dealt with the Soviets and their allies.

George W. Bush also made it a point to meet with dissidents and signal which side America was on. He met with a defector who spent 10 years in the North Korean gulag. He met with persecuted Chinese Christians, marked the 20th anniversary of a famous pro-democracy uprising in Burma by meeting with Burmese dissidents in Thailand, and awarded the Medal of Freedom to a jailed Cuban political prisoner. In 2007, he even spoke to a whole conference of dissidents in Prague organized by another alumnus of the Soviet prison system: Natan Sharansky.

Now it's not easy for a president to meet with dissidents. When you do, some won't think you are strong enough. And even Ronald Reagan was criticized in 1986 for not meeting with Yelena Bonner, wife of jailed Soviet dissident Andrei Sakharov.

More important are the internal pressures—some key trade deal, some delicate negotiation, some huge foreign policy concession your staff has been working on forever. Yet precisely because all the momentum is in the direction of accommodation, it's important for a president to remember the one argument to the contrary. By meeting with some brave soul whom others want silenced, he sends a signal that cuts through the fog, compels respect from his enemies, and will be remembered long after the concerns of the day are forgotten.

Barack Obama has spent his first year as president determined to prove to the world he is not George W. Bush. He has succeeded. Let's hope that in so doing he has not sent the message that he is the new Gerald Ford.

Write to MainStreet@wsj.com

Superb Southern Cooking

[Gastronomy]

Hot and Hot Fish Club Cookbook
By Chris and Idie Hastings
(Running Press, 399 pages, $35)

By Aram Bakshian Jr.

Once upon a time in the Deep South—in 1845 to be precise—a group of gentlemen living on the South Carolina coast got together and formed a dining club: the Hot and Hot Fish Club, which met at noon every Friday from June to October. One of their rules was that "each member shall contribute at least one substantial dish for dinner." (The rotating occupants of the club presidency were required to "furnish a ham, and good rice.") And so they did, eating and drinking handsomely for nearly two decades until their world disappeared, gone with the wind.

But all was not lost. In 1995, Idie Hastings and her husband, Chris—the great- great- great-great-grandson of a Hot and Hot Fish Club founder—opened a restaurant of the same name in Birmingham, Ala. "As far as we can tell," the Hastingses write in the "Hot and Hot Fish Club Cookbook," "the term 'hot and hot' may have been part of the local vernacular. It emphasized that meals were not only freshly cooked but were served piping hot with the steam still rising."

Chris and Idie, both veteran food professionals, serve a creative, seasonally oriented menu that is at once traditional and adventurous. The scores of recipes in their lavishly illustrated cookbook include Roasted Young Chicken Breast With Blackberry Vinaigrette; it is an easily prepared dish with fresh ingredients that has an authentically regional flavor. The Deviled Crab—baked in butter with bread crumbs and light seasoning, green onions, nutmeg and a touch of lemon—is another slightly modernized but still deliciously Southern classic. Then there's the Slow Roasted Pork Shoulder With Fall Vegetable Gratin and Mustard Greens (the vegetables include rutabagas, parsnips and turnips), which again updates the traditional without violating its spirit. If you prefer something a bit outré, try Alligator Point Clam Paella. It isn't quite as exotic as it sounds: Alligator Point is the place in Florida near where the clams come from, so no filet of reptile is involved.

The book's recipes, from appetizers to desserts, are complemented by sections on basic cooking techniques, dressings and marinades and side dishes. Everything in this beautifully designed volume is in keeping with the spirit of its co-authors, whose credo is: "For us food is magic."

Mr. Bakshian Jr., who served as an aide to Presidents Nixon, Ford and Reagan, writes frequently on history, politics and gastronomy.

OPINION

The Tipping Point in Iran

By Abbas Milani

When millions of peaceful demonstrators took to the streets of big Iranian cities in June to protest what was widely assumed to be a stolen election, many in the West wondered whether the movement had the will and vision to sustain itself.

Apologists for the regime in America and in Iran dismissed the democratic protests as the angst of a small minority of Westernized yuppies or discontented academics. Clerics loyal to the regime used the incendiary language of class warfare. They dismissed the opposition as accomplices of the Great Satan and a small minority composed of wealthy urbanites fighting to reverse the gains the poor—*mustazaf*—have made around the country.

Over the past six months the regime has killed dozens of demonstrators, arrested hundreds of activists and forced hundreds of others into exile. It took false comfort in the belief that it had defeated what it self-deludingly claimed had been nothing but an American-concocted velvet revolution.

This weekend's bloody protests during the holiday of Ashura culminate a pattern of persistence and perseverance on the part of the opposition. There can now be little doubt about the movement's staying power.

Western countries dealing with Iran must now recognize that the specter of this democratic movement hovers over every negotiation. Sunday's protests might have even ended the regime's delusions that it can once again cow the population into submission.

In cities big and small, people have continued to engage in large and small acts of civil disobedience. In the city of Rafsanjan, demonstrators freed two prisoners about to be hung by the regime. And in Tehran, those unwilling to come into the streets and brave the baton-wielding *basijis* and gun-toting policemen astride motorcycles, go to their rooftops under the cover of the night and shout "Death to the dictator!"

European Pressphoto Agency

Iranian protestors hold a boot, a baton and a bulletproof vest allegedly belonging to police during a demonstration on Dec. 27.

Even the mostly dormant but economically successful Iranian-American diaspora is beginning to show signs of eagerness to help those fighting on the front lines of democracy inside Iran. There are increasing numbers of solidarity demonstrations, efforts to lobby politicians, and aggressive fund-raising effort to provide support for Iranians being pressured by the regime.

Those who, for so long, have implicitly apologized for the regime by claiming that the only problem with it is that it is not afforded enough respect by the world, particularly by the U.S., must now see the poverty of their argument. The last six months have shown unequivocally that the problem with the Iranian regime is the regime itself.

Much has been written about the fact that Iran's democratic movement today combines the three characteristics of a velvet revolution—nonviolent, nonutopian and populist in nature—with the nimble organizational skills and communication opportunities afforded by the Web. Less discussed has been the significance of the youthfulness and Internet-savvy nature of the Iranian population.

Seventy percent of Iranians are under the age of 30. And in a population of 75 million, 22 million are Internet users. In spite of the nominal leadership of reformists like Medhi Karroubi, Mir Hossein Mousavi and Mohammad Khatami, the real leaders of the movement have been the thousands of groups and individuals who work autonomously, and whose structure replicates the Internet.

Until now, this lack of structure has given the movement its power. But the democratic movement has reached its own hour of reckoning.

As Supreme Leader Ayatollah Ali Khamenei and his cohorts come nearer to a crisis, as rifts within the regime deepen in coming weeks, as the regime ratchets up its ruthlessness against the democrats, and as the world, with anxious eyes on the nuclear issue, carefully watches the domestic situation in Iran, the democratic movement must develop a more coherent plan of action and a more disciplined leadership. And the world, particularly the West, must also let the regime know that it will not stand by idly as the people of Iran are brutalized by the regime.

To many in the outside world, the regime's brashness—its willingness to murder peaceful demonstrators in broad daylight and its adventurism in the nuclear arena—have been shocking. But to the people of Iran, who have long suffered the consequences of the regime's political despotism, its ideological sclerosis, and its economic incompetence and corruption, recent events are only egregious manifestations of what they have endured for three decades. It is the slow, sinister grind of this structural violence that has now turned nearly every strata of Iranian society—save those who owe their fortunes to the status quo—into the de facto foe of the regime.

According to Transparency International, Iran is today one of the most corrupt economies in the world. It also has the ignominy of topping the list of all countries in terms of brain drain. Each year, between 150,000 and 180,000 of the country's best and brightest leave the country. The yearly cost to Iran for this brain drain alone is estimated to be almost equal to the yearly cost of the Iran-Iraq War, according to the World Bank.

Falling oil prices are now forcing the regime to reduce the almost $100 billion of subsidies it pays to keep quiet a discontent population. The reserves it accumulated when oil prices were $150 per barrel have long been squandered by Ahmadinejad on harebrained schemes like carelessly making loans to start businesses that ended up fueling a real-estate bubble, rather than creating jobs.

But this inevitable reduction of subsidies is sure to further reduce the standards of living for the poor and middle classes. This will make the horizon grim for the triumvirate of Revolutionary Guard commanders, Khamenei and Ahmadinejad who now rule Iran.

* * *

A politically discontent population forced to experience an unexpected economic downturn was a key element of the recipe that overthrew the Shah from the Peacock Throne in 1979. Poetic justice that the same sudden change in the country's economic fortune—and even the same use of religious rites and rituals for political purposes that brought the clerics to power 30 years ago—is now coming back to haunt them.

Mr. Milani is the director of Iranian Studies at Stanford University where he is also a research fellow at the Hoover Institution. His latest book is "Eminent Persians: The Men and Women Who Made Modern Iran, 1941-1979" (Syracuse University Press, 2009).

Prepare for a Keynesian Hangover

By Benn Steil

In 2008, as the U.S. economy teetered under the weight of years of reckless credit expansion, the Bush administration decided against proposals to sweep out the bad debts from the banking system and then fix the regulatory structure—an approach based on tried and tested models from the S&L crisis and other financial crises.

We will pay the price for this decision in 2010. That's because the Obama administration and the Federal Reserve are plowing forward with Plan B: Nationalize credit creation and "stimulate" the private sector by spending in its stead.

Richard Nixon's famous line, "We're all Keynesians now" never seemed more apropos. With the budget deficit at an eye-popping $1.4 trillion, and on track to stay above $1 trillion indefinitely, Berkeley economist Brad DeLong writes breezily in his Nov. 30 blog that "anything that boosts the government's deficit over the next two years passes the benefit-cost test—anything at all."

On the monetary side, the fireworks have been even more spectacular. Since the financial crisis of late 2008, the Fed has flooded the globe with newly conjured dollars in an unprecedented no-holds-barred effort to prod private credit expansion. Watching the booms in the markets for distressed debt, junk-rated corporate bonds and poor-country sovereign bonds since the summer, one might be forgiven for concluding that the Fed had succeeded well beyond its expectations, and that the market's flight to safety had given way to a flight to Vegas. Yet "the truth is that policy should be piling on," Princeton economist and New York Times columnist Paul Krugman writes in his Nov. 25 blog, "not looking for the exit."

Fed Chairman Ben Bernanke wants it both ways. On the one hand, he regularly reminds the market that he's already found the exit: continuously lending out its securities short term in order to soak up cash. The so-called reverse repo market through which this would be done is probably too small for the task of controlling inflation. But such a softly-softly approach is much more attractive politically than actually collapsing the Fed's bloated balance sheet, which would require dumping hundreds of billions of dollars of stockpiled mortgages.

On the other hand, Mr. Bernanke continues to berate the banks for failing to lend while the government continues to do so with heroic abandon.

Former Salvadoran finance minister Manuel Hinds points out in the latest issue of International Finance that banks have indeed been shirking on their day job of transforming increased deposits into increased private-sector credit. But they haven't quit entirely. In fact, they've funneled significant new funds into nonbank financial institutions—which have not lent them on. What's happening is that U.S. banks have been behaving exactly like developing-country banks during earlier crises, such as Indonesian banks in the late 1990s—raising lending to their worst borrowers to keep them alive, lest the banks themselves collapse from their borrowers' defaults.

The U.S. government's recent spending orgy will haunt the world's largest economy, come 2010.

For U.S. banks, these zombie borrowers are their affiliated financial entities set up to manage so-called off-balance-sheet activities—such as the famous SIVs (structured investment vehicles) created by Citigroup and others during the boom. Thus, the massive fiscal and monetary bailouts of the banks have served to worsen the credit misallocation that led to the general economic collapse in 2008.

What is the right solution? The same one that most observers, including the U.S. government, backed until late 2008: Get the bad assets off of the banks' balance sheets. Banks will continue to use accounting gimmicks for window dressing, but as long as they know the truth—that their assets remain seriously impaired—they will continue to starve far too many sound commercial ventures.

Those who insist that the government buying up soured private assets amounts to an unacceptable bailout should be reminded that the market-driven alternative is called bankruptcy. Unfortunately, this option is now considered too politically toxic.

So what we're left with is the type of government-sponsored orgy of spending and money creation that Washington used to condemn with all-knowing righteousness when undertaken south of the border. But the effect of our doing is far more consequential, since America possesses the exorbitant privilege of minting not only its own but the world's money.

As we move into 2010, no doubt the horns will be blowing for the long-awaited U-shaped recovery. I suspect it won't be long before we realize we've drunk too much, and that the second dip of a W-shaped recession awaits us.

Mr. Steil is director of international economics at the Council on Foreign Relations and co-author of "Money, Markets, and Sovereignty" (Yale University Press, 2009).

Pepper . . . and Salt

THE WALL STREET JOURNAL

"Going home? I don't recall you mentioning anything about a 'home' in your interview."

IN DEPTH

How Galleon boss built his empire

Continued from first page

saic of public information about the companies he follows," his attorney, John Dowd, said. "His detailed, meticulous research into company fundamentals distinguished him as an exceptional analyst and portfolio manager. Mr. Rajaratnam is innocent of the charges against him and looks forward to his day in court when a jury of his fellow citizens will examine and evaluate all of the evidence."

A Wall Street Journal examination of Mr. Rajaratnam's career—including interviews with more than 75 ex-business associates and a review of copies of Mr. Rajaratnam's own handwritten notes—gives the clearest picture yet of how, for two decades, he persuaded executives at some of America's most prominent companies to risk their careers by passing corporate secrets.

The Galleon investigation has already touched McKinsey & Co., International Business Machines Corp., Intel Corp. and Advanced Micro Devices Inc. in connection with the leaking of confidential information that Mr. Rajaratnam allegedly traded on.

Mr. Rajaratnam got his start as an analyst just as the moribund semiconductor industry started to boom. Charming and puckish, he made contacts in Silicon Valley's Indian expatriate community, using them to meet other executives. By the early 1990s, tech industry executives and Mr. Rajaratnam's co-workers say he made himself the hub of dozens of sources funneling him supposedly confidential corporate information. In exchange, Mr. Rajaratnam would often pass them tips he'd heard.

The question of his guilt or innocence will turn on whether in this relentless cultivation of contacts, Mr. Rajaratnam grew rich by knowingly trading on inside information gleaned from the influential and savvy players who made up the network.

As a Needham & Co. staffer walked into the firm's reception area one day in 1985, a young man in a suit popped out of his seat, flashed a big smile and said he was there for a job interview. There was nothing to indicate that he'd one day be the impresario of a $7 billion hedge fund.

Raj Rajaratnam, who had been at Chase Manhattan Bank for two years after getting his M.B.A., was one of a stream of applicants hoping to catch on at the fledgling investment bank. The word was Needham would take a chance on the callow and the cast off, as long as they were willing to work grueling hours for low pay.

"I hire one-legged men, and I beat the crap out of them," the firm's founder, George Needham, was heard to say. He declined to comment through a spokesman for this article.

It was a time when corporate information flowed more freely than today. Until the late 1990s, executives tended to speak more openly with analysts, unfettered by tighter regulations put into place during the past decade. Mr. Needham, who hasn't been accused of any wrongdoing, expected his analysts to prospect for information on the industries they covered anywhere, any time: On a plane, quiz your seatmate; in a bar, chat up the drinker next to you.

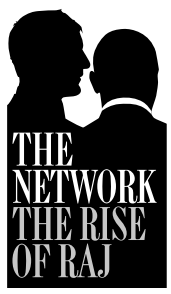
He also expected them to be frugal. He checked expense reports himself, telling employees to take red-eye flights and chiding them when he found redeemable soda cans in the trash.

The digs at 400 Park Ave. matched the ethos: Mr. Needham furnished the place with second-hand furniture, such as a $100 credenza from the office of Ivan Boesky, the disgraced financier busted for insider trading.

Mr. Rajaratnam thrived in a job that could have been a dead end: analyzing the computer chip industry. Beset by a flood of Japanese chips, U.S. makers were on the ropes, many large investors had fled the sector, and few analysts covered it in depth.

Mr. Rajaratnam would fly overnight from New York to California, bunk at a Palo Alto motel that fit Needham's $90-a-night limit, and spend his days with chip executives.

Mr. Rajaratnam cut a more appealing figure than rival analysts. Gerald Taylor, a former finance chief at Applied Materials Inc., a manufacturer of chip-making machines, found most of them to be ill-informed "prima donnas, hot-shots." Mr. Rajaratnam, on the other hand, told stories of "a kind of Horatio Alger" upbringing in Sri Lanka. He told others of how, as Tamils in Sri Lanka, his family had to dodge bullets during the country's civil war.



The exotic tales sometimes glossed over the fact that Mr. Rajaratnam grew up in relative wealth. The son of a manager for sewing machine maker Singer Co., he attended college in England before going on to the University of Pennsylvania's prestigious Wharton School.

The stories added a dash of color to the sharp analysis and willingness to push hard that impressed chip executives.

When Applied Materials' Mr. Taylor was explaining a new technology called "chemical vapor deposition" in early 1987, one analyst at a big Wall Street bank fell asleep during his presentation. Mr. Rajaratnam, though, flew to Silicon Valley, met Mr. Taylor and company engineers, and touted the technology in reports to investors.

Mr. Rajaratnam also visited Applied's customers and myriad suppliers elsewhere, something few analysts did.

"He earned your respect because he did his homework," says Mr. Taylor, even though he only gave Mr. Rajaratnam the same information he offered to other analysts.

Sometimes, Mr. Rajaratnam's persistence raised alarms. "He was always trying to weasel more information out of you," says David Orgill, who was Applied's head of investor relations in the late 1980s and early 1990s.

All along, Mr. Rajaratnam worked to persuade executives at Applied and other companies to use Needham to help underwrite their stock offerings. Applied and chip makers including Atmel Corp., Oak Technology Inc. and Opti Inc. used Needham for that; so did Xilinx Corp., which picked Needham "because Raj promised to write extensive research reports," says the company's then-senior vice president of finance, Gordon Steel.

As Mr. Rajaratnam brought more business to the firm, he pushed for more power by touting job offers from bigger Wall Street banks. Mr. Needham made Mr. Rajaratnam the firm's director of research and then, in 1991, president.

That year, an analyst named Gerald Fleming found out that while Mr. Rajaratnam had moved up the organizational chart, he was still plugged in. At a regular morning meeting with Mr. Rajaratnam and a roomful of colleagues on May 13, Mr. Fleming estimated Applied's earnings per share at 41 cents. A short time later, Mr. Rajaratnam told Mr. Fleming the projection was wrong. "A good source" told him the earnings would be 42 cents a share. When Applied announced its earnings later in the day, that was the number.

In the morning meeting the next day, Mr. Rajaratnam told Mr. Fleming, "I hired you to develop sources and get the number."

Mr. Rajaratnam's close ties to Applied led Mr. Needham to jokingly ask in meetings about what the "pillow talk" was telling him about the company's earnings, say three former Needham employees.

"Mr. Rajaratnam's interactions with representatives of Applied Materials were completely professional at all times, and any suggestion to the contrary is false," Mr. Dowd, his attorney, said.

Mr. Rajaratnam expanded his power at Needham by starting a hedge fund to invest in tech stocks in 1992, tapping many of his chip-industry contacts for investments. By the beginning of 1994, Mr. Rajaratnam owned 17% of the firm—second only to Mr. Needham's 26%—and was paid $1 million that year. He also made sure that new executives knew his stature at the firm: "I'm the boss here," he told one in his first week there. "George may be the guy who has his name on the door, but I'm the guy who makes things happen."

Mr. Rajaratnam became a charismatic leader, cementing a culture at the firm that was defined by testing personal limits.

Getty Images

Danielle Chiesi, a trader known for her tech-industry connections, surprised some Galleon employees by attending a party at Mr. Rajaratnam's house.

After Mr. Rajaratnam boasted one day that there was no spicy sauce that he couldn't stomach, a colleague brought a bottle of habanero sauce called Armageddon to the trading desk. A crowd gathered to watch as Mr. Rajaratnam doused two chicken wings with it and chowed down. Within moments, Mr. Rajaratnam was crying and coughing uncontrollably. He ran to the bathroom and left work early. Mr. Rajaratnam laughed about it later.

By the early 1990s, Microsoft Corp.'s Windows software and fast, cheap microprocessors from Intel spawned a personal-computer boom that reinvigorated the chip industry that Mr. Rajaratnam had worked so assiduously to cultivate.

Intel in early 1994 was facing new threats from AMD over the brains used in PCs. AMD had just won a big court case against its larger rival, and investors were itching to find out whether AMD's 486 chips were eroding Intel's dominance.

On March 21 of that year, Mr. Rajaratnam was working the phones in his corner office overlooking Park Avenue and across a hallway from Needham's trading floor. It was two weeks before AMD would report earnings for its first fiscal quarter.

With a felt-tip pen, he wrote the date and two names in a spiral notebook. One was the first name of a manager at various tech companies in the 1990s, including AMD; the other was that of an engineer who worked at chip companies.

"Could do over $500 million," Mr. Rajaratnam noted farther down the first page. On an adjacent page, he wrote that the "goal," as of March 1, was "$484," then "New $515." Below that he wrote "486's" and "1 million units." In bold strokes across the two pages, he jotted other numbers, including prices for two versions of the 486 chip.

On April 4, AMD surprised Wall Street by announcing a record $513 million in revenue for its fiscal first quarter. The company said 486 chips sold more rapidly than expected early in the quarter, with sales surpassing 900,000 units.

A devoted note-taker, Mr. Rajaratnam kept a series of notebooks that recorded frequent conversations with people at tech companies, including Actel, Atmel and Alliance Semiconductor Inc. The pages were studded with the kind of information that analysts normally didn't get, the fruit of all those attentive visits to Silicon Valley.

It was the kind of work that enabled Mr. Rajaratnam to emerge from his office and be heard telling his top trader, Gary Rosenbach, that he had "the number" for earnings from Intel and AMD before they were announced.

Mr. Rajaratnam's aggressive tactics led several companies over the years to try to caulk leaks. Executives at chip makers Cirrus Logic and Silicon Valley Group, which both used Needham in stock offerings, grew frustrated with Mr. Rajaratnam badgering employees for tips.

In the mid-1990s, he offered to trade Cirrus executives proprietary information on other companies in exchange for Cirrus details. Similarly, Mr. Rajaratnam tried extracting information from Silicon Valley Group's then-chief executive, Papken Der Torossian, by saying he had information about orders from someone at an IBM plant in Vermont. Mr. Der Torossian says he turned him down.

Cirrus implemented a policy allowing just three top executives to talk with Mr. Rajaratnam and other analysts. Employment contracts were re-written to say that employees who violated that policy would be fired.

At SVG, Mr. Der Torossian chastised employees for talking with Mr. Rajaratnam. Still, he says, while other analysts would "try to dig deep," Mr. Rajaratnam "was particularly clever, particularly good, and would get more information."

(Top to bottom) Sipa Press; Patrick McMullan

Above, Raj Rajaratnam appeared on top of the world at a 2007 benefit in New York, with actress Blythe Danner, AIDS activist Brenda Freiberg and his wife, Asha. Left, George Needham, pictured with his wife, emphasized building contacts to Mr. Rajaratnam.

Around the same time, Intel held internal meetings to try to figure out how Mr. Rajaratnam's published reports were so uncannily accurate ahead of the company's earnings.

Concerns about Mr. Rajaratnam's activities helped cool Paine Webber's interest in buying Needham in 1995, according to a person with direct knowledge of negotiations. Soon, similar worries spurred complaints from some inside Needham.

Between 1993 and 1996, at least five Needham executives told Mr. Needham that they were worried about Mr. Rajaratnam's conduct, according to several people with knowledge of the situation. Needham brokerage clients complained to executives that Mr. Rajaratnam had potentially conflicting roles in the firm as president, fund manager, and sometime stock analyst. Normally, investment banks keep those areas separate to prevent clients' interests from clashing with the interests of bank-run funds.

Toward the end of 1996, the concerns fueled tensions between the executives and Mr. Rajaratnam. Meanwhile, Mr. Rajaratnam, who wanted to expand his hedge fund faster than Mr. Needham would allow, had been raising money for his own operation.

In November 1996, Mr. Needham told his employees that "I greatly regret to announce that Raj Rajaratnam, my friend and partner," would be leaving to form his own firm, ending a breakneck 11-year run at Needham.

Mr. Rajaratnam set up Galleon in a small office at Lexington Avenue and 57th Street, about a block from his old firm. He hired several former colleagues, including Mr. Rosenbach, the firm's head trader, and tapped Silicon Valley contacts for investment. Riding the wave of investors anxious to get in on the tech boom, Galleon was managing $800 million by the end of 1997, up from up from $250 million 12 months before.

Mr. Rajaratnam established a looser culture at his new firm. On Thursdays, employees could sign up to get massages at the office. Still, the game plan was the same as Needham: watch expenses closely and ferret out corporate information.

Not long after Galleon launched, Intel renewed its efforts to find out if someone at the company was leaking financial data to Mr. Rajaratnam. Intel installed cameras by a fax machine in its Santa Clara, Calif., headquarters. In March 1998, it recorded an employee named Roomy Khan sending handwritten notes and documents marked "Intel Confidential" to Mr. Rajaratnam.

Included were data on Intel chip orders from several dozen computer makers and selling prices of those chips. Combined, the information could be used to determine Intel's revenue for the quarter.

Ms. Khan left Intel soon after, and the company reported her to federal authorities. Soon, she had a new job. Mr. Rajaratnam hired her at Galleon.

She left Galleon after a year. In 2001, Ms. Khan agreed to plead guilty to wire-fraud charges—and to cooperate in a probe of Mr. Rajaratnam. Ms. Khan served six months under house arrest, but prosecutors dropped the investigation, unable to prove that Mr. Rajaratnam traded on the information.

Each day at Galleon started with a morning meeting. Traders and analysts streamed nearly all at once into a conference room trying to get there before start time—8:35 in recent years. A stickler for punctuality, Mr. Rajaratnam would sometimes fine latecomers $25.

Surrounded by his staff, Mr. Rajaratnam began the meeting by asking for an overview of the significant events of the day or week—earnings announcements, a product launch, anything that might move stocks. Mr. Rajaratnam grilled them, sometimes sending analysts leafing through binders to find a figure, such as gross margins or the pricing of a product line.

He often got angry if an analyst couldn't confidently say whether a stock would go up or down. Mr. Rajaratnam always wanted "the variant view," his mantra for an opinion on a stock that was different from the rest of Wall Street. "If the market comes into your variant view, we make money," he would say.

At Galleon, Mr. Rajaratnam took his fondness for pranks and dares to a new level. When executives from stun-gun maker Taser International Inc. came to make an investment pitch around 2005, Mr. Rajaratnam offered $5,000 to anyone who'd agree to be shocked. Employees gathered around as two people propped up trader Keryn Limmer at the elbows and another person fired the weapon. Ms. Limmer's legs buckled beneath her from the shock. Ms. Limmer declined to comment.

That same year, employees arrived at Galleon's morning meeting to a surprise: In the conference room was a dwarf whom Mr. Rajaratnam introduced as an analyst hired to cover "small-cap" stocks. He was, in fact, an actor hired for an April Fool's Day gag.

By 2004, Mr. Rajaratnam was building a profile outside the hedge-fund world. He joined the board of the Harlem Children's Zone, an education nonprofit, and later raised about $7.5 million for victims of the South Asian tsunami. In January 2007, a list of celebrity donors honored Mr. Rajaratnam's philanthropy with a symphony performance at Lincoln Center.

By the time of the Super Bowl party a month later, Galleon and Mr. Rajaratnam appeared to be on top of the world. Approaching $7 billion under management, the firm moved into larger Manhattan offices at Madison Avenue and 57th Street, expanded into Asia and started a new fund based in California. Employees were convinced the firm would soon go public.

Yet all was not well. Mr. Rajaratnam was cooperating with a Securities and Exchange Commission investigation of his younger brother Rengan's now-defunct hedge fund, Sedna. No charges have been filed in that investigation, and Rengan Rajaratnam's lawyer declined to comment.

Raj Rajaratnam answered questions and provided reams of Sedna-related documents that raised investigators' suspicions about Galleon itself.

As the summer ended that year, the real shape of the threat was only beginning to emerge. On a hot September afternoon, Mr. Rajaratnam threw a party at his Greenwich, Conn., home for Galleon employees and their families—a clambake with a cowboy theme, owing to the day's star attraction, country singer Kenny Rogers. Guests wore cowboy hats and sheriff's badges as they ate lobster while sitting on white folding chairs or red blankets with the Galleon logo.

Mr. Rajaratnam seemed relaxed, mingling with family and friends. One guest stuck out, a blonde woman in a black spaghetti-strap top, low-slung tangerine skirt and aviator sunglasses. A few guests knew her as Danielle Chiesi, a trader at a Bear Stearns hedge fund who had strong chip-industry connections. Some there wondered what Ms. Chiesi, accompanied by her mother, was doing at a Galleon party.

Mr. Rogers' hit song "The Gambler" was a favorite of Mr. Rajaratnam's: "You got to know when to hold 'em, know when to fold 'em, know when to walk away and know when to run...."

As Mr. Rogers sang, Ms. Chiesi sat in a folding chair; Mr. Rajaratnam stood a few paces behind.

Within a year federal agents would be recording their phone calls, pulling at loose threads in a web that had taken two decades to weave.

—Susan Pulliam contributed to this article.

FROM PAGE ONE

Beijing is battling organized crime

Continued from first page

down is emphatically demanded by the people, as revealed to us by the numerous blood-shedding crimes," he is quoted as saying by the central Communist Party Web site.

The government says police have broken up nearly 13,000 gangs and detained 870,000 suspects since the latest nationwide crackdown began in early 2006. Some 89,000 of those had been formally arrested as of September, according to the state-run Xinhua news agency.

"Organized crime in China is coming back with a vengeance," says Kolin Chin, a criminologist at Rutgers University who studies Chinese gangs.

In addition to infiltrating Chongqing's government, organized crime has moved into sectors from property development to privately run bus routes to pork products, officials say.

Mr. Wen's sister-in-law, known as "the Godmother of Chongqing," has already been sentenced to 18 years in prison and fined around one million yuan ($146,000) after her conviction on charges including organizing and leading a criminal group, operating illegal casinos, illegal imprisonment and bribing officials.

A pair of 23-year-old twins received sentences of 17 years apiece on convictions of organizing and leading a criminal group and intentional injury of others, among other charges.

Judicial and law-enforcement officials in Chongqing have declined to comment on the cases.

Since the Chongqing trials began in October, dozens of gang members elsewhere in China have also been sentenced, with at least 18 receiving death penalties.

On Monday, the Associated Press said a Chongqing court sentenced two men, Chen Zhiyi and Yang Quan, to death for involvement in gangs and handed jail terms to 19 others ranging up to life imprisonment.

In early December, a court in the southwestern city of Kunming sentenced five people to death for involvement in a gang that dealt in drugs, counterfeit money, fraud and racketeering. In southern China, a court in Yangjiang sentenced five men, including mob bosses nicknamed "Hammerhead" and "Spicy Qin," to death for murder and for running a massive illegal gambling empire. In Sichuan, police arrested 85 people in what officials called the largest drug bust in China's history.

Organized crime was rampant in China before the communists took over in 1949, but was largely extinguished in the decades afterward by the totalitarian Maoist state. It has flourished since reforms began in the late 1970s.

Chinese police receive small salaries but enjoy almost unchecked power over the increasingly wealthy communities they oversee. As a result, bribery is common, experts say.

Without protection from law enforcement, "criminal organizations would not be able to develop on such a large scale and to such a high level," says Pu Yongjian, a professor at the business school of Chongqing University.

In some cases, police are discouraged by local governments from cracking down on prostitution, gambling and loan-sharking, as long as violence isn't involved, says Mr. Chin of Rutgers.

"These are very profitable businesses," he says. "They support the local economies and are seen as part of a transition period towards development. There is a boundary—kind of an implicit understanding—between local officials and mafia-like gangs."

When organized crime spreads or penetrates higher levels of government, as in Chongqing, the party usually cracks down to ensure its ultimate power isn't challenged, says Mr. Chin. At times, ties between gangsters and governments have eroded public trust, sometimes pushing individuals to take matters into their own hands.

In September 2008, 18-year-old Zhang Xuping, of Xiashuixi village in Shanxi province, stabbed the local party chief to death. Villagers allege the official ran a gang that used harassment and violence to take over their farmland.

Mr. Zhang's mother, Wang Hou'e, had previously spent a year in detention after she complained to authorities about property damage she attributed to the party boss. Ms. Wang has organized a petition seeking leniency for her son; it has been signed by 21,000 residents of 48 villages in the area.

Officials in the district government that administers Xiashuixi declined to comment.

"I wish that we would have as aggressive a crackdown in our area as there is in Chongqing," says Ms. Wang. "But there are so many illegal things happening [here] every day, My true feeling is that the mafia forces will not only continue to exist, but become even more rampant."

—Sue Feng contributed to this article.

Associated Press

Xie Caiping (left), dubbed the 'godmother' of a mafia-style gang, stands trial with other suspects in Chongqing, China last month.

Gangland, China

Chinese authorities are increasingly cracking down on organized crime.

1. Shijiazhuang, Dec. 10: Police bust a gambling gang operating an illegal casino in an abandoned mine, arresting people, and seizing about $30,000 in cash and 26 vehicles.

2. Kunming, Dec. 7: Forty-one gang members are sentenced on charges including drug trafficking, racketeering, fraud and selling counterfeit currency.

3. Yangjiang, Dec. 3: Forty-five people sentenced on gang-related charges, including gang leaders Xu Jianqiang (the 'Hammerhead') and 'Spicy Qin' Lin Guoqin, who are also ordered to pay multi-million dollar fines.

4. Yibin, Dec. 2: Police announce a bust of what they claim is the largest drug-making operation in the country, which involved five gangs, detention of 85 suspects and the closure of eight drug-production facilities.

5. Liaoyuan, Nov. 24: A court sentences 30 people for involvement in gang crimes, including the former police chief of the city of Tonghua, and two former police officers.

6. Chongqing: Since June, nearly 3,000 people have been detained in an ongoing gang crackdown. Of those, more than 800 have been formally arrested.

Rusal attracts prominent backers for its IPO

Continued from first page

ple said. Cornerstone investors buy into a company during the pre-IPO stage and agree to hold their stakes for a certain period, in this case six months.

Rusal plans to raise about US$2 billion from selling a stake of about 10% as part of an effort to repay debt. The company is set for a primary listing in Hong Kong and a secondary listing of its depositary receipts on Paris' Euronext stock exchange on Jan. 29.

The deal is being closely watched in investment banking circles. It marks Hong Kong's first Russian IPO as it seeks listings from there and elsewhere in the world to diversify beyond its heavy China focus.

It has also posed unusual regulatory issues. The Hong Kong securities watchdog, the Securities & Futures Commission, approved the IPO under the condition that it not be marketed to small investors. The Hong Kong stock exchange's listing committee delayed approval of the offering as it sought more information, including details of Rusal's debt restructuring.

Analysts value the entire company at US$20 billion to US$26.7 billion. In a recent report, resource-focused investment bank Liberum Capital said its valuation range of $20 billion to $26 billion implies a price-earnings multiple of 14.1 times to 18.3 times 2010 earnings. By comparison, it said, Western peers fetch an average of 24.7 times 2010 earnings, while Hong Kong-listed Aluminum Corp. of China Ltd. fetches a 24.7 multiple.

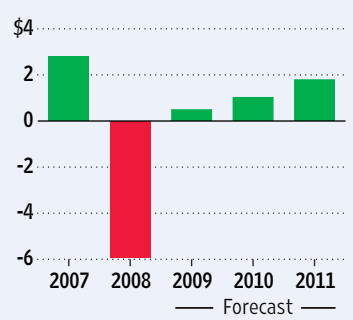
Rusal is the world's largest producer of aluminum and alumina.

Rusal earlier this month completed the restructuring of US$7.4 billion in debt with more than 70 Russian and global banks. VEB provided Rusal with a $4.5 billion bailout loan in 2008 and has said it plans to buy as much as 3% of the IPO.

Bank of China International, **BNP Paribas** SA, **Bank of America** unit Bank of America Merrill Lynch and **Credit Suisse Group** are handling the sale.

Rusal

Net profit/loss in billions of U.S. dollars



Sources: the company, Bank of China International Research estimates

U.S. commission likely to side against China in steel dispute
BUSINESS & FINANCE 19

Japan Inc. chases growth across East China Sea
HEARD ON THE STREET 32

BUSINESS & FINANCE.

Wednesday, December 30, 2009 THE WALL STREET JOURNAL. asia.WSJ.com

JAL considers bankruptcy filing

By Yoshio Takahashi

TOKYO—**Japan Airlines** Corp., its major lenders and a quasigovernmental investment fund are studying a bankruptcy filing for the carrier if it doesn't win concessions from retirees, according to a person familiar with the matter.

The airline, known as JAL, is still considering an out-of-court restructuring, as it indicated last month, the person said. But the prospect of a court-led turnaround procedure is likely to add pressure on the company's retirees to accept a proposed cut in their pension allowances.

JAL is seeking to persuade more than two-thirds of about 8,800 retirees—the necessary ratio to change its corporate pension system under the current law—to accept a benefits-reduction plan.

One group, the Japan Cabin Crew Union, said it wouldn't comment unless it had confirmed the discussions with company management. Other unions couldn't be reached.

JAL shares dropped 8.3% to 88 yen (about 96 U.S. cents) after falling to their lowest level for the year of 85 yen during the day.

"Investors are selling on fears that the rights of existing shareholders won't be protected" if JAL files for bankruptcy protection, said Mitsuru Miyazaki, an analyst at SMBC Friend Research Center.

JAL retirees are in the process of voting whether to accept a 30% reduction in their benefits proposed by the carrier. The voting will end on Jan. 12.

The desired agreement on the revised pension program will be crucial for JAL's revival, as it aims to slash its net debt and legacy pension costs of more than one trillion yen, or roughly $11 billion.

The airline said two weeks ago that it expects to obtain approval of the proposal, since a survey conducted by the company showed 65% of its retirees agreed to the plan. A court-led revival plan is adding pressure, as it would force them to accept reduced benefits, anyway.

Transport Minister Seiji Maehara reiterated earlier this month that the government is still considering a bill to allow JAL to change its pension plan to reduce its obligations.

JAL's fate was clouded last week when Finance Minister Hirohisa Fujii said the government has no plans to guarantee loans to the struggling company despite earlier agreement by five key ministers that the government would consider the guarantees.

The finance minister's remark could be a warning to the airline's retirees, since he has repeatedly cautioned that the government wouldn't provide the guarantees unless JAL reduces its retiree benefits.

Delta Air Lines Inc. and AMR Corp.'s American Airlines are also closely watching developments of JAL's restructuring process. The two big U.S. airlines are battling to cement a partnership with their Japanese peer to gain access to its lucrative network of flights to Asia.

JAL is seeking an out-of-court mediation on loans, as planned, in a procedure known as "alternative dispute resolution." Under the arrangement, it is discussing with its lenders the possibility of delaying loan repayments so it can continue daily operations until it has drawn up a restructuring plan.

JAL in October asked quasigovernmental investment fund **Enterprise Turnaround Initiative** Corp. for support in restoring its operations. ETIC, which has access to as much as 1.6 trillion yen in state-guaranteed funds and the ability to purchase the debts of beleaguered companies, is now assessing JAL's assets to gauge its level of support and will decide whether to help JAL's turnaround next month.

Buffeted by a business- and leisure-travel slowdown triggered by the global economic downturn, JAL reported its fourth straight quarter of net losses in the July-September period. It scrapped its earlier earnings forecast for the current fiscal year through March, saying it couldn't gauge its future course as it compiles a revival plan. Major creditors, including state-backed Development Bank of Japan; **Mizuho Financial Group** Inc.'s wholesale banking unit, Mizuho Corporate Bank; and ETIC declined to comment on whether they are studying bankruptcy protection for JAL.

—Atsuko Fukase and Juro Osawa contributed to this article.

Nufarm spurns Sinochem, joins Sumitomo

By Alex Wilson

MELBOURNE, Australia—Crop-chemicals maker **Nufarm** Ltd. rejected a reduced, 2.62 billion Australian-dollar (US$2.32 billion) takeover offer from **Sinochem** Corp. and instead said **Sumitomo Chemical** Co. would buy a stake of at least 20% through a tender offer to existing shareholders at a higher price.

Heard on the Street

■ Jumping to a more agreeable suitor after Chinese company balks..... 32

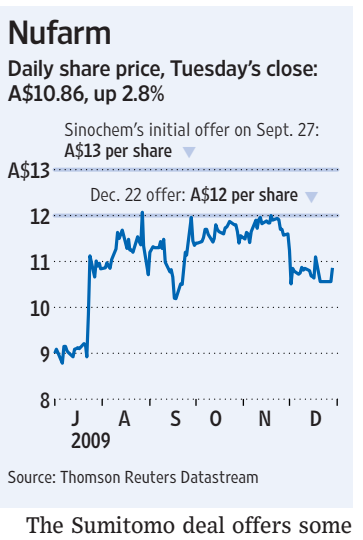
Analysts had been expecting Nufarm's board to recommend the offer from China's Sinochem despite the price being cut to A$12 a share last week from the original A$13. Sinochem cut the offer price after studying Nufarm's financial position and considering the industry outlook. There was also a perceived lack of rival bidders.

The Japanese group will offer to acquire at least 20% of the shares of all Nufarm holders at A$14 a share. A purchase of a 20% stake in Nufarm would cost Sumitomo about A$610 million. Shareholders who wish to sell more will have the opportunity to do so on a pro-rata basis. The deal is subject to approval by Nufarm shareholders and a final meeting of the Sumitomo board.

Nufarm on Tuesday said it terminated talks with Sinochem after deciding the lowered offer undervalued the group and wasn't in the best interests of shareholders.

"Sinochem's revised proposal is less attractive than the position which was agreed between the parties in September and doesn't provide certainty for Nufarm shareholders," Nufarm Chairman Kerry Hoggard said.

"Sumitomo's proposal places an appropriate value on the company and provides all Nufarm shareholders with the opportunity to realize a fair price for some of their shares," said Mr. Hoggard.



The Sumitomo deal offers some respite to Nufarm shareholders, who have been beset by a falling stock price as a glut in the Australian firm's major product, the herbicide glyphosate, hit its earnings outlook.

"Sumitomo's proposal—if approved —will release some value to Nufarm shareholders and is a positive third-party endorsement of Nufarm's valuation and growth potential," said Macquarie Research in a note to clients.

IG Markets said the Sumitomo tender offer was a great result for Nufarm shareholders, who had been facing the prospect of either accepting a lower Sinochem offer or seeing their shares fall if the board rejected the revised bid.

"Sumitomo turned out to be the white knight waiting in the wings, happy to give shareholders the opportunity to sell out part of their stake at A$14 per share, while retaining a decent percentage to benefit from a turnaround in performance," IG Markets analyst Cameron Peacock said in a trading note.

Sumitomo's purchase will give it the right to nominate one director to the Nufarm board and the two companies have also struck an agreement on business cooperation in research and development and distribution.

Sumitomo's director for agricultural-chemical business, Kenjiro Fukubayashi, said the group expects to build an "expanded cooperative relationship" after the purchase of the stake.

The Japanese group has already received approval from Australia's foreign-investment regulator for its tender offer.

Macquarie analysts said the Sumitomo offer was well above their target price of A$11.30 a share and they were surprised the Japanese group was willing to pay A$14 a share for a strategic stake, given that Nufarm's board had previously found an offer of A$13 for the whole company acceptable.

They said the deal would allow Sumitomo to build a stronger position in herbicides, and Nufarm in insecticides.

On Tuesday, Nufarm also unveiled plans for a fully underwritten entitlement offer to raise A$250 million, with some of the proceeds to be used to pay down debt. After completion of the tender offer, Nufarm plans to carry out the entitle-

Please turn to page 20

Minmetals forges Chilean mine deal

Chinese company will market iron ore with Shunde Rixin but won't supply financial assistance to trade venture

By Chuin-Wei Yap

China Minmetals Corp. and **Shunde Rixin Development** Co. plan to develop an iron-ore mine in Chile, a move that is part of China's recent efforts to break free from foreign control of ore prices.

Minmetals, China's largest diversified metals-trading company, said it would cooperate with Rixin through its subsidiary Minmetals Zhuhai Co., but won't be providing financial assistance to the venture, Gao Peijun, a Minmetals media official said Tuesday.

"We will be helping to sell the iron ore as part of a trading agreement," he said.

Another state-owned giant, **China Communications Construction** Co., is also in talks with Rixin. An official in China Communications' executive office said the company has been in discussions with Rixin but hasn't decided on the specific projects it would undertake.

Rixin, a Guangdong province textile exporter, car trader and metals-mining company, is buying a 70% stake in the mining rights to the Chilean mine, which is said to have reserves of as much as five billion metric tons, according to state media reports late Monday.

Reached on Tuesday, an official at Shunde Rixin's executive office declined to comment regarding the plan's financial terms.

Bloomberg News

China Minmetals plans to help sell iron ore from a mine in Chile. Above, Minmetals' headquarters in Beijing.

State media quoted Rixin Chairman Li Zihao as saying he estimated the project would cost 13 billion yuan to 15 billion yuan, or $1.9 billion to $2.2 billion.

Mr. Li was quoted as saying the mine would help China break a foreign iron-ore "monopoly," referring to the stranglehold Australian and Brazilian miners have on the supply of high-quality seaborne ore.

Based on state media reports, he estimated that the mine could supply China with a total of at least 30 million tons of iron ore until 2012, and 120 million tons annually after 2014, which, if it pans out, would account for a third of China's current needs.

China has been intensifying efforts to lessen its reliance on traditional sources of ore from Brazil and Australia, much of which is supplied on the basis of increasingly difficult annual price talks with global miners.

Minmetals has been developing iron-ore resources in Mauritania; one of China's largest steel mills by output, **Wuhan Iron & Steel** Co., struck separate deals last month in Brazil and Venezuela to secure alternative iron-ore supplies.

On Monday, Minmetals agreed to to take a 51% stake in **Hunan Nonferrous Metals** Corp. for 5.56 billion yuan.

In Hong Kong trading on Tuesday, Hunan Nonferrous Metals' listed unit tumbled 16% to $3.02 Hong Kong dollars (39 U.S. cents) amid news that Minmetals is considering a general offer for the parent at the steeply discounted price of HK$1.73 a share.

Macquarie analyst Xiao Li said Tuesday the highly discounted offer price reflects Minmetals' unwillingness to buy out Hunan Nonferrous Metals. Some analysts pointed to the potential for the friendly deal to fall apart on those terms.

Other analysts said investors were disappointed that China Minmetals wouldn't injects assets into Hunan Nonferrous.

Shares in Hunan Nonferrous Metals had risen sharply during the past few months in anticipation of the deal, which is part of sector consolidation urged by Beijing.

—Yvonne Lee contributed to this article.

China rail builder, Tongling offer to buy Corriente

By Lorraine Luk and Elisabeth Behrmann

HONG KONG—**China Railway Construction Corp.** Ltd. and **Tongling Nonferrous Metals Group Holdings** Co. have offered to buy Vancouver-based miner **Corriente Resources** Inc. for 679 million Canadian dollars (US$649 million), China Railway said Monday.

China Railway Construction, which is China's second-biggest railway builder by revenue after **China Railway Group** Ltd., partnered with the state-owned Chinese copper miner in a 50-50 joint venture to offer Corriente shareholders C$8.60 a share in cash, China Railway said in a statement.

The acquisition price represents a 14% premium to Corriente's last closing price of C$7.55 on Thursday.

Corriente's businesses include the exploration and development of copper, gold, silver and molybdenum mines, and its main assets include mining rights in four copper and copper-gold deposits in southeast Ecuador, including the Mirador copper-gold project.

The Mirador project was advanced to the feasibility stage in April last year. The mine will produce around 30,000 metric tons of copper per day.

Ecuador's mining sector is small, but the Andean nation has abundant reserves of copper, gold and silver. However, international mining companies have been reluctant to invest because of an uncertain legal environment. In 2008, Ecuadorian lawmakers froze mining activity and revoked about 80% of mining concessions while suspending the remainder as the government drew up new mining laws.

The regulations were approved in November, and since then companies such as Corriente and **Kinross Gold** Corp. have been allowed to restart operations.

Still, uncertainties remain over the status of mining leases.

INDEX TO BUSINESSES AND PEOPLE

Businesses

This index of businesses mentioned in today's issue of The Wall Street Journal is intended to include all significant reference to companies. First reference to the companies appears in bold face type in all articles except those on page one and the editorial pages.

Aetna....22
Allstate....25
American International Group....22
Ameritor Security Trust....25
Apple....20
Applica....23
Areva....32
AT&T....20
Avner Oil Exploration...21
Azul Linhas Aereas Brasileiras....20
Banco Espanol de Credito....24
Banco Santander....24
Bank of America....1,25
Bank of China International....1
Beijing Capital Group...22
BHP Billiton....27
BlackRock Florida Municipal Bond....25
BNP Paribas....1
Calpine....23
CB Richard Ellis....10
Chesapeake Energy....21
China CNR....22,27
China Communications Construction....18
China Construction Bank....22
China Merchants Securities....22
China Minmetals....18
China Pacific Insurance 22
China Railway Construction Corp.....18
China Railway Group....18
China Shipbuilding Industry....22
China South Locomotive & Rolling Stock....22
ClearTarget....25
Commercial Bank of China....22
Commonwealth Bank...27
Congressional Effect Fund....25
Consolidated Edison....21
Corriente Resources....18
Credit Suisse Group....1
CVS Caremark....21
Delek Drilling....21
Deloitte....32
Drivers Jonas LLP....10
Electricité de France....32
Enterprise Turnaround Initiative....17
Ernst & Young....32
Fidelity Investments....25
First Albany....23
Ford....10
Free Enterprise Action Fund....25
Fujitec....32
General Electric....32
General Motors....21
Goldman Sachs Group....24,27
Gol Linhas Aereas Inteligentes....20
Google....20
Halliburton....27
Harbinger Capital Partners....23
Henderson Land....27
Hunan Nonferrous Metals....18
Huntington Bancshares....32
Hyundai Motor....19
ING Groep....22
Israel Electric....21
Isramco Negev 2....21
Japan Airlines....17
JPMorgan Chase.10,24,25
KeyCorp....32
Kia Motors....19
Kids Fund....25
Kinross Gold....18
Korea Electric Power....32
Korea National Oil....19
KPMG....32
Kroger....21
Kumho Asiana....19
Kuok Group....1
LAN Airlines....20
MacroShares Major Metro Housing Down 25
MacroShares Major Metro Housing Up....25
Marshall & Ilsley....32
MBNA....25
Mizuho Financial Group....17,27
Monterrico Metals....18
Morgan Stanley....24
Munich Re....22
Nabors....27
Nacco Industries....23
National Australia Bank....27
New York Times....23
Nissan Motor....32
Noble Energy....21
NR Investments....1
Nufarm....17,27,32
NZX....27
Old Mutual....25
Orrick, Herrington & Sutcliffe....22
Pacific Antai Life Insurance....22
Pantanal....20
Paulson....1
Payden/Wilshire....25
Preuksa Real Estate....10
PriceWaterhouseCoopers....32
Ralph Parks Cyclical Equity....25
Regions Financial....32
Rio Tinto....27
Rite Aid....21
Rosatom....32
Rusal....1
Russell Hobbs....23
Safeway....21
Samsung Electronics....3
Samsung Group....3
Shenyin Wanguo Securities....27
Shinhan Financial Group....27
Shunde Rixin Development....18
Siemens....32
Sinochem....17,27,32
Sino Land....27
Spectra Energy....21
Sprint Nextel....20
Statoi....21
Sumbe....19
Sumitomo Chemical....17,27,32
Sumitomo Mitsui Financial Group....27
SunTrust Banks....32
Swiss Reinsurance....22
TAM....20
Telefonica....20
TIAA-CREF....24
Tongling Nonferrous Metals Group Holdings....18
Toshiba....32
Tubular Synergy Group 19
UBS....27
U.S. Steel....19
Utopia....25
Vanguard Group....25
Verizon Communications....20
Vneshekonombank....1
Vodafone....20
Walgreen....21
Wal-Mart Stores....21
Walt Disney....27
Wuhan Iron & Steel....18

People

This index lists the names of business-people and government regulators who receive significant mention in Today's Journal.

Andrew, Jim....20
Barroso, Libano....20
Blankfein, Lloyd....24
Brennan, Troyen A.....21
Calich, Claudia....24
Choi, Hye-Won....24
Crawford, Kermit....21
Cusick, Phil....20
Davidson, Charles....21
de la Vega, Ralph....20
Delclaux, Pedro Olabarría....24
Dimon, Jamie....10
Ding, Jacky....22
Dowling, Brian....21
Dunn, Byron....19
Dunne, Ronan....20
Durling, James....19
Falcone, Philip....23
Fukubayashi, Kenjiro....17
García, José Ignacio Romero....24
García, Luis Fernando Romero....24
Gorman, James....24
Grant, Peter....10
Hastings, Richard....27
Henderson, Tom....21
Hoeppe, Peter....22
Hogan, Mark....25
Hoggard, Kerry....17
Holberton, Richard....10
Jeworrek, Torsten....22
Kelly, Anastasia....22
Kohli, Aaron....26
Koster, Frank....22
Kudrin, Alexei....24
Kuok, Robert....1
Layman, Jeff....27
Lee, Jay Y.....3
Lee Kun-hee....3
Li Zihao....18
Mack, John....24
Maura, David....23
Merriman, Jon....27
Mestre, Modesto González....24
Miller, Paul....25
Miyazaki, Mitsuru....17
Moynihan, Brian....25
Nian, Li....22,27
Nides, Thomas....24
Oubina, Jacob....26
Parks, Ralph....25
Paulson, John....1
Peacock, Cameron....17,27
Gao Peijun....18
Polistina, Terry L.....23
Rathbone, Doug....20
Rothschild, Nathaniel.....1
Saenz, Alfredo....24
Sano, Kazuhiko....26
Shelton, Russ....21
Smith, Timothy....24
Specter, Arlen....19
Surma, John....19
Prasert Taedullayasatit10
Weston, Chris....27
Wong, Carson....26,27
Xiao Li....18
Yamashita, Makoto....26

Reuters

U.S. steelmakers say they have been hurt by Chinese imports. Vendors at a market in Wuhan, Hubei province last week.

China steel ruling looms

By Robert Guy Matthews

The U.S. International Trade Commission will rule Wednesday on U.S. steelmakers' claims that they have been severely injured as a result of $2.8 billion of subsidized Chinese steel being dumped into the U.S.

The findings, which involve Chinese-made steel pipes and tubes used by energy and exploration companies, could lead to stiff fines, an import quota or both.

It follows two months of testimony from steelmakers in both countries, their customers, elected officials from steel towns and calls from U.S. lawmakers, including Pennsylvania's Arlen Specter, to protect American jobs.

The trade commission's decision comes at a time when tensions between Western and Chinese steelmakers are high and pressure is on the Obama administration to shore up the U.S. labor market, while not appearing protectionist.

ITC commissioners declined to comment on the coming ruling, as did steel companies. The U.S. Commerce Department has already determined that Chinese steel pipe and tube producers were dumping subsidized steel into the U.S. earlier this year.

The steel industries in the U.S. and Western Europe have framed their trade cases in terms of potential job losses—thousands of steel workers have been laid off or had their mills closed.

In China, job losses have been few but that is mostly due to the fact that the Chinese mills are continuing to operate and shipping their excess steel into foreign markets.

The focus of the commission was determining whether there was injury, which most often means lost jobs and profits. On both points, U.S. producers recounted the layoffs of thousands of workers.

The Chinese steelmakers didn't dispute those losses but said the U.S. steel industry could and should have averted them by using profits accumulated during the steel boom, roughly from 2006 to late 2008.

U.S. steelmakers said China's overcapacity to produce oil country tubular goods steel—pipes and tubes used mainly for energy exploration—poses an imminent threat to the U.S. industry. They told the trade commission that Chinese steel would have to come to the U.S. in order to keep the Chinese mills working.

James Durling, the attorney representing Chinese steelmakers at the hearing, said U.S. steelmakers are feigning injury in order to protect their market from competition and that job losses could have been averted by using more than $3 billion in operating profits made during the boom.

"The domestic producers have accumulated surplus profits to give them a huge cushion for 2009 and beyond," he testified.

"This surplus would allow the domestic industry to fund all of its fixed costs, all of its labor costs and still earn a historic rate of operating income for more than two years without one ton of extra [oil country tubular goods steel]."

U.S. Steel Corp., the largest U.S. producer of oil country tubular steel for the drilling industry, said it had to lay off about 1,200 workers at various plants because it couldn't compete with the dumped Chinese steel.

"I cannot recall a situation where the effects of unfair foreign trade had a greater or a more immediate impact on a domestic industry or posed a more substantial long-term threat," John Surma, the chief executive officer of U.S. Steel, told the commission a few weeks ago. "To state it as simply as I can, Chinese unfair trade has absolutely devastated our industry."

Chinese steelmakers countered that the U.S. industry was trying to stymie legitimate competition. Moreover, they and some U.S. steel buyers said they couldn't get steel fast enough from U.S. manufacturers and that prices for those products more than doubled, indicating that the U.S. market wasn't damaged. They also said the subsequent fall in price and increase in inventories was due to the slowdown in the world economy.

Mr. Specter, a Democratic senator from Pennsylvania, testified earlier in December, urging the commission to charge China with dumping and impose sanctions. "I said that lost jobs, reduced hours, plant shutdowns—and the larger effects on our communities—represent the "most severe and intolerable harm" from unfair trade, he said.

KNOC acquires Kazakh oil company

By Shin Jung-Won and Kanga Kong

SEOUL— State-run oil developer **Korea National Oil** Corp. has purchased Kazakhstan's **Sumbe** in a deal valued at $335 million as part of efforts to acquire foreign oil assets to boost its reserves, the South Korean government said Tuesday.

Korea National Oil, known as KNOC, has been aggressively expanding its assets this year to bolster the resource-poor country's energy security.

While the deal is relatively small compared with KNOC's recent series of oil company acquisitions, it incrementally boosts the company's presence in Kazakhstan, a Central Asian country where it already has four oil projects.

KNOC expects Kazakhstan to serve as its oil development base in the Central Asian region.

"Among the Central Asian countries, Kazakhstan is viewed as the most politically stable," a KNOC official said. "It also offers good investment opportunities for foreign firms in terms of tax."

KNOC will continue to acquire foreign oil assets in 2010 toward reaching its crude oil output goal of 300,000 barrels a day by 2012, said the official, who didn't want to be named.

KNOC and an unnamed Kazakhstan partner have acquired 100% of Sumbe, which owns two oil blocks—Arystan and Kulzhan.

KNOC will hold an 85% stake in the Kazakh company, the Ministry of Knowledge Economy said in a statement.

The Arystan oil field, which is under test production, has proven reserves of five million barrels and probable reserves of 57.8 million barrels, the ministry said.

The Kulzhan oil block is currently being explored.

KNOC expects its daily production from Arystan field to reach 10,000 barrels in 2012 and rise to 20,000 barrels in 2014, it said.

The companies are awaiting Kazakhstan government approval.

The latest acquisition comes only few months after KNOC acquired Canada's Harvest Energy Trust for 4.1 billion Canadian dollars (US$4 billion), in South Korea's largest overseas energy investment to date.

After the acquisition of Harvest Energy, Korea National Oil said its daily production rose to nearly 130,000 barrels, from around 70,000 barrels.

Kumho Tire to postpone paying salaries a month

By Kyong-Ae Choi

SEOUL—Kumho Tire Co. said Tuesday it will delay paying monthly salaries for December because of to a temporary cash shortage, heightening concern about the precarious liquidity position of its parent, **Kumho Asiana** Group.

Kumho Tire, which is 46.9% owned by Kumho Petro Chemical, said that it was making a large debt payment at the end of the year, which would result in a temporary cash crunch.

"The delayed salaries worth 11 billion won ($9.4 million) will be paid to all employees in early January, when the company will receive payments from its clients," a company spokesman said. The company had 5,600 employees as of 2008.

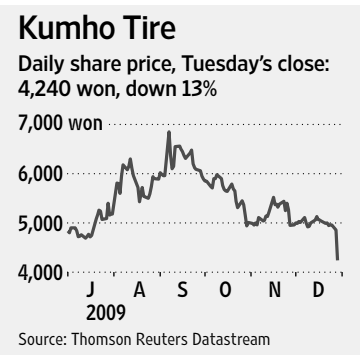
Kumho Asiana, a conglomerate with interests in airlines, logistics and construction, declined to comment.

The group faces a large payment related to its construction unit, Daewoo Engineering & Construction Co., and has been scrambling to raise funds by selling stakes in the construction company and other subsidiaries.

Kumho Tire produces tires for auto makers such as **Hyundai Motor** Co. and **Kia Motors** Corp. During the past year, Kumho was hit by lower sales as car makers cut production while the company juggled a large debt burden.

Kumho Tire has to pay back 230 billion won of debt in the fourth quarter, and in the first quarter it has to repay 156.7 billion won, including 23 billion won on Jan. 4, Jeff Lee at Hana Daetoo Securities said.

"If the parent group's process to sell the construction unit suffers a delay next year, it may make Kumho Tire's liquidity condition worse," Mr. Lee said.



News of the salary delay sent shares in Kumho Tire lower, closing down 13% at 4,240 won on Tuesday. The news also dealt a blow to the other Kumho Asiana stocks: Asiana Airlines ended down 5.7% at 3,915 won; Kumho Industrial declined by 6.8% to 9,790 won, and Korea Kumho Petro Chemical fell 13% to 22,050 won.

Although Kumho Tire's domestic plants are operating normally after strikes in the third quarter and it is expected to post an operating profit in the first quarter, Sohn Myung-woo at Woori Investment & Securities said, "Kumho [Tire] badly needs to retrieve about 200 billion won by selling the 5.6% stake it has in Daewoo Engineering & Construction Co."

In December 2006, a Kumho Asiana-led consortium bought a 72.13% stake in Daewoo Engineering for 6.426 trillion won, with more than half of the price raised from financial investors. The investors hold a put option that required Kumho Asiana to buy back Daewoo Engineering shares from them at 32,000 won a share after Dec. 15 if the stock traded under that level at that time.

Early in December, investors agreed to extend the put option by one month, to Jan. 15, while Kumho Asiana pushes ahead with the process to sell the construction company.

Garuda Indonesia

INVITATION TO BID

PT. Garuda Indonesia (Persero) ("Garuda") is considering a sale and lease-back for a Boeing 737-800 spare aircraft engine: CFM56-7B26/3

Details of the lease procurement are as follows:
Engine Type : CFM56-7B26/3 rated for a Boeing 737-800.
Year of Manufacture: 2010
Number of engine : 1 (one)
Type of transaction : Sale & Operating lease-back

Garuda Indonesia would like to invite the participation of qualified bidders interested in the financing of the above engine. Qualified participants must have recent experience in successfully completing engine leasing transactions.

To obtain the tender documents please write or email to PT Garuda Indonesia at the addresses shown below. Bids must be submitted no later than 10:00 WIB on Wednesday 13 January 2010 ("Submission Deadline").

All correspondence should be addressed to:
PT. Garuda Indonesia (Persero)
2nd Floor, Garuda Indonesia Management Building
Garuda City
Soekarno-Hatta International Airport
Cengkareng 19120 Indonesia

or
Chairman
Tender Committee for Engine Financing of CFM56-7B26/3
Telephone/fax : +62 21 25601291
E-mail : financingengine@garuda-indonesia.com
Copy to email : financingengine@gmail.com

Brazil's TAM targets newbies

Airline works with banks to help first-time fliers afford a ticket through a financing plan

By Alastair Stewart

SAO PAULO—Brazil's leading airline, **TAM** SA, expects the country's domestic aviation market to grow by up to 12% next year as incomes and employment levels continue to rise in Latin America's largest economy and new promotions attract first-time, lower-income fliers.

"Economists are forecasting the economy will grow around 5% in 2010. We see the aviation market expanding double that, maybe two and a half times that," said Líbano Barroso, who on Monday was confirmed as TAM's chief executive officer after having served as acting CEO since October.

Attracting first-time fliers with easy payment options is one of the keys to raising growth levels in the $6.5 billion Brazilian air travel market, Mr. Barroso said in an interview.

Brazil's domestic air traffic has nearly doubled since 2003, growing between 8% and 22% a year through 2008. This year, even though airlines had expected the economic slowdown to curtail demand, the latest data indicate passenger traffic grew 15%.

Demand has been bolstered this year by the expansion of smaller airlines, led by **Azul Linhas Aéreas Brasileiras**, which offered alternative routes at lower prices, prompting the main players TAM and **Gol Linhas Aéreas Inteligentes** to react with price cuts and expanded service.

But the bedrock was the strength of internal demand throughout the economic slowdown, which was driven by rising working-class and middle-class salaries and spending.

Getty Images

A TAM jetliner taxis to the terminal in Rio de Janeiro in August. TAM expects strong growth in Brazil in 2010.

TAM and the other airlines are now seeking to tap deeper into this up-and-coming consumer group by offering tickets in installments.

Earlier this month, TAM announced agreements with banks Itau Unibanco and Banco do Brasil to offer payment plans on tickets. Account holders can obtain tickets by making a small down payment and then making installment payments for up to four years after flying.

The goal is to make it flying an alternative to taking the bus—the most common way average Brazilians travel. Since the 1940s, Brazil has experienced mass migration from the rural northeast to far-off urban centers such as Sao Paulo and Rio de Janeiro in the southeast. As a result, at Christmas and other holidays it is common for workers to travel two or three days by bus to visit relatives.

Although plane tickets are still more expensive than bus fares, they offer value in time saved.

The average price for a ticket for the 1,680-mile flight between Sao Paulo and Recife, for example, is between $120 and $200; the average salary in Brazil is about $770 a month.

"The fact that payments for the tickets are within people's monthly budget acts as a great stimulus," said Mr. Barroso.

Gol was the first to adopt the strategy of easy payments about four years ago. Its program now has 1.8 million members and its popularity has forced other airlines to follow suit.

Meanwhile, airlines are looking to develop alternative routes to expand their business, while finding ways to manage the crush at Brazil's hub airports in Sao Paulo, Rio de Janeiro and Brasilia.

TAM announced last week that it had bought ailing small regional operator **Pantanal** in a deal valued at 13 million Brazilian reais ($7.3 million).

Pantanal operates three turboprops and has just 0.2% of the domestic market. But it holds a valuable asset: 196 slots at Congonhas in Sao Paulo, Brazil's busiest domestic airport.

Congonhas' proximity to Sao Paulo's business centers makes it the preferred destination for executives, which make up the majority of passengers on local flights. But heavy restrictions on takeoffs and landings at Congonhas because of a short runway and its built-up environs mean that slots are at a premium.

"We are going to beef up Pantanal in order to meet demand for smaller destinations," said Mr. Barroso, although he didn't name cities targeted for expansion.

In recent months the price war with Gol, Azul and other competitors has cooled and profit margins have improved.

TAM reported third-quarter profit of 348 million reals, recovering from a loss of 663.6 million reals in the quarter last year.

Separately Monday, TAM said it has extended its partnership with the Argentine unit of Chile's **LAN Airlines** SA.

The agreement allows TAM to sell seats on LAN Argentina's domestic flights, and the Argentine airline to do the same for seats on TAM domestic flights in Brazil.

Nufarm rejects Sinochem's takeover offer

Continued from page 17

ment offer to all holders, including Sumitomo, which will allow them to acquire additional shares.

Mr. Hoggard said the offer, to be fully underwritten by UBS, would be carried out at "an attractive price" and would strengthen the group's balance sheet.

Nufarm also announced Tuesday that it has made progress on refinancing its debt, completing all the A$1 billion of renewals due by the end of calendar 2009.

The Sumitomo deal helped Nufarm shares close up 2.8% at A$10.86 in an Australian market that rose 1.1%. Nufarm shares have fallen more than 10% since peaking at A$12.22 on news of Sinochem's initial bid in late September.

Nufarm's net profit fell 42% last fiscal year as it wrote down its glyphosate inventory, and Chief Executive Doug Rathbone warned a shareholder meeting on Dec. 3 that the company's first-half profit would be down from the year-earlier period.

Sinochem said Tuesday it would continue to pursue a global strategy for its agricultural-chemicals business despite failing to acquire Nufarm.

"We regret Nufarm's rejection of our bid, as we think the revised offer reflects the company's true value...but we will continue to strengthen cooperation with global agrochem companies," the state-owned chemical company said in a statement.

Bloomberg News

Japan's Sumitomo Chemical will offer to acquire at least 20% of the shares of all Nufarm holders.

Sumitomo's plan continues a recent increase in Japanese merger-and-acquisition investment in Australia, which rose 40% from a year earlier to US$4.8 million in 2009. That figure was boosted by the A$3.3 billion Kirin Holdings Co. spent to buy out the 54% of Lion Nathan Ltd. it didn't already own.

Chinese investment in Australia has also boomed in 2009, surging to more than four times the levels seen in 2008 to US$10.7 billion, and has had a much higher profile, as much of it has been in the key mining sector and has come from Chinese state-owned enterprises.

—Michelle Ng in Shanghai contributed to this article.

IPhone snafu stirs concerns over network

By Niraj Sheth

AT&T Inc. resumed online sales of the iPhone Monday to New Yorkers, after they were unable to buy **Apple** Inc.'s popular phone on AT&T's Web site over the weekend.

The interruption—and AT&T's lack of explanation—was noted on several blogs, adding fuel to questions about whether the company's network can handle iPhone traffic, especially in dense urban markets.

AT&T has come under scrutiny because of its exclusive deal for the iPhone, whose customers download data by surfing the Web or watching videos at a much higher rate than other phone users.

As high-end phones that download data and run applications become more popular, ot+her carriers, like Verizon Wireless and **Sprint Nextel** Corp., could face the same challenges, analysts say. A phone from **Google** Inc. that will be available early next year could put similar pressure on other carriers.

"This is a problem really for all carriers," says Jim Andrew, an independent wireless consultant. "A lot of it has to do with the limit of spectrum, and that's a problem for everyone."

Users who tried to buy an iPhone on AT&T's Web site and supplied a New York City Zip Code were instructed to choose another phone.

A terse statement from AT&T Monday said "we periodically modify our promotion and distribution channels." An AT&T spokesman declined to comment on why the carrier temporarily stopped online sales of the iPhone. Since releasing the iPhone more than two years ago, AT&T has faced growing complaints about network issues, sometimes becoming the butt of ridicule.

A recent TV-show skit dinged the iPhone for dropped calls. And Verizon Wireless, a joint venture of **Verizon Communications** Inc. and **Vodafone** PLC, mocks AT&T's network quality in an ad campaign.

AT&T has said its network needs improvement in certain cities. "While there's more to be done, including [in] places like Manhattan and San Francisco, I want to assure you that we have a high sense of urgency," AT&T Mobility Chief Executive Officer Ralph de la Vega said at an investor conference this month.

Criticism of the carrier has intensified in recent months after the release of a new version of the iPhone led to a sales increase and greater demands on the network, says Macquarie analyst Phil Cusick. Areas like New York are especially difficult for cellphone companies because they need to put more towers closer together. In Manhattan, the "canyons" made by skyscrapers make it a challenge, says Mr. Andrew.

The network issues also have spurred rumors AT&T may raise data-plan prices for iPhone customers, who now pay a flat monthly rate for unlimited Internet access. The company has denied it has made a decision on changing pricing.

Meanwhile, the head of **Telefónica** SA's O2 acknowledged network problems encountered by some its customers in central London since the summer. "Where we haven't met our own high standards then there's no question, we apologise to customers for that fact," O2 U.K. Chief Executive Ronan Dunne told the Financial Times.

GM plans fire sale for Pontiac, Saturn

By John D. Stoll

General Motors Co. is offering its dealers hefty incentives to move thousands of leftover vehicles from its discontinued Saturn and Pontiac brands in the U.S. The unusual tactic could inflate the car maker's December sales and cut the cost to car buyers by as much as 46% off the sticker price.

In what is equivalent to a year-end fire sale, GM sent letters to dealers Dec. 23 saying it would pay them $7,000 for every new Saturn or Pontiac on their lot that is moved to rental-vehicle or service-vehicle fleets operated by the dealers. Dealers can then sell the vehicles at a more attractive price, though they must be described to customers as used because the dealers technically will be the vehicles' first owner.

The offer expires Jan. 4, the last day of the December car-sales month. GM will book the sales to dealers as fleet deliveries.

GM's move could speed the company's restructuring. Pontiac and Saturn, along with Hummer and Saab, were deleted from GM's lineup under its government-backed bankruptcy reorganization this summer. GM's remaining U.S. brands are Chevrolet, Buick, Cadillac and GMC.

The expense of the new program will add to GM's considerable cost of closing Saturn and Pontiac, a figure GM hasn't disclosed. GM spokesman Tom Henderson declined to comment on the financial impact of the new dealer incentives.

At the beginning of December GM dealers had 14,500 new Pontiacs and Saturns on their lots, which typically represents about two to three months of inventory depending on the model, according to Ward's Auto Reports.

Edmunds, another car-data service, estimates that GM will sell about 6,800 Pontiacs and 3,500 Saturns in December. That means dealers could have some 4,200 of the cars left.

Similar dealer-purchase programs in the past have provided a modest spark to industry sales. But GM's new offer dwarfs most prior efforts in that it involves a dozen nameplates, ranging from the Saturn Aura to the Pontiac Solstice, and is structured as a mechanism to speed the liquidation of two brands.

"Our goal is to provide these dealers with another tool to help them reduce their inventories of noncore brands," GM's Mr. Henderson said. "This in turn will help us move more quickly to focus on our Buick, Chevy, GMC and Cadillac brands."

Last December, GM sold about 250,000 vehicles. In recent months, however, it has been selling between 150,000 and 175,000 vehicles, meaning the Saturn and Pontiac clearance could provide a considerable boost to this month's results.

Asked about the short time window for GM dealers to respond to the offer, Mr. Henderson said, "We're trying to sell as many as we can at all times."

If a dealer passes along all the new incentive to a customer, Pontiac's cheapest vehicle, the G3 compact, could go for about $8,000, or 46% off the sticker price of about $15,000.

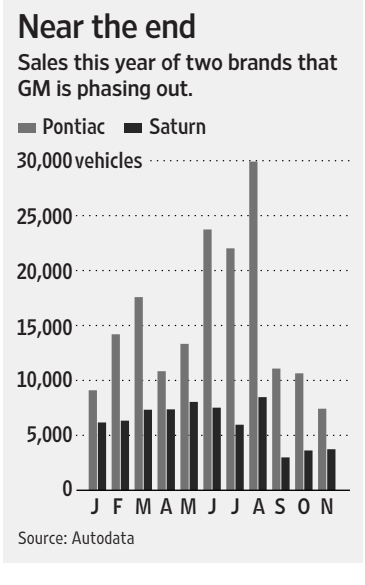
But the offer presents buyers with some risks. Because the brands are being discontinued—combined with the fact these vehicles technically are "used"—the later resale value of the cars could be significantly lower than the resale value of other ongoing car brands sold as new.

And while GM says these customers will receive the balance of the warranty period on the vehicles, and GM will continue to provide parts and service, some buyers may not feel comfortable owning an "orphan" brand.

GM already has been offering Saturn and Pontiac buyers $6,500 discounts, or 0% financing on 72-month loans. These two offers can't be combined with the $7,000-a-vehicle incentive GM is giving dealers.

Russ Shelton, a Pontiac, Buick and GMC dealer in Rochester Hills, Mich., said the $6,500 discounts being offered to consumers have been helpful in gaining momentum on the retail-sales front, but he said he will have to tap the new rental-fleet program to finish off his inventory.

"I can tell you we are going to do whatever it takes to sell the remaining Pontiacs," Mr. Shelton said in an email.



Reuters

GM is offering its dealers incentives to sell the last Saturns and Pontiacs.

Retailers jockey over flu shots

By Timothy W. Martin

Pharmacies, supermarkets and other retailers in the U.S. are jockeying to become the go-to provider for swine-flu vaccinations, in a bid to attract more customers and, in many cases, promote their in-store health clinics.

With the vaccine becoming more widely available, **Rite Aid** Corp. is placing signs that read, "Protect Yourself: H1N1 Vaccinations Are Available," on the front doors of its drugstores and hanging similar banners inside. **Kroger** Co. is promoting its H1N1 flu shots on the cover of the grocery chain's weekly ad circulars. Starting next year, pharmacy chain **Walgreen** Co. plans to advertise its supply of the vaccine in television spots and on its Web site.

"When patients say, 'I need to get a flu shot,' I want people to think about Walgreen's, just as they think about us when they get their prescriptions filled," says Kermit Crawford, Walgreen's senior vice president of pharmacy.

Pharmacies and supermarkets, which are offering the shots for $10 to $18 each, have seen mixed demand for the vaccine since state authorities in the U.S. gave them access to it earlier this month. No sales figures are yet available. But H1N1 infections have been declining for several weeks, so the clamor for inoculations has subsided since fall, when hours-long waits for them were common. "Right now there's probably more supply than demand," says Troyen A. Brennan, chief medical officer at drugstore chain **CVS Caremark** Corp.

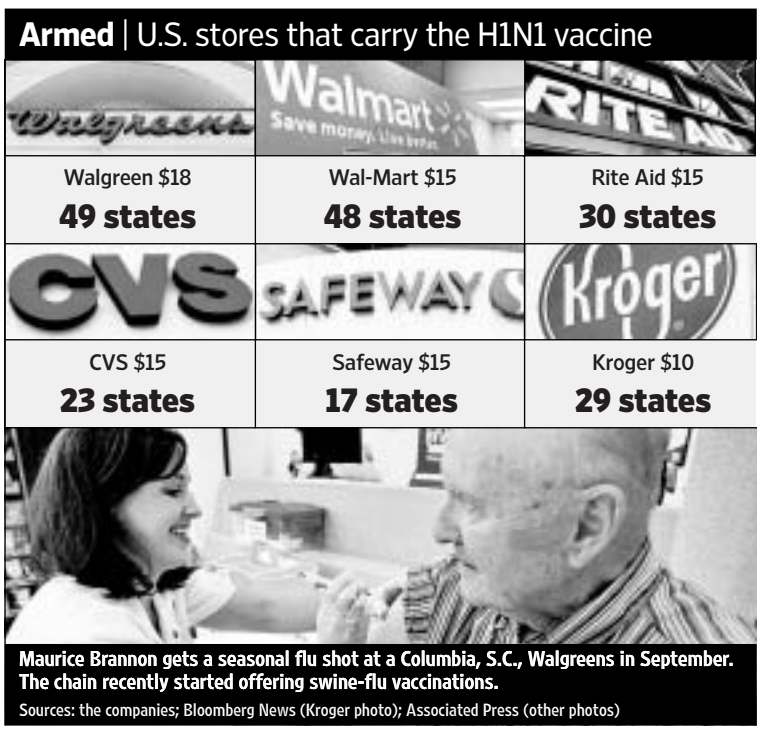
Still, such retailers see the shots as a way to publicize the role they are increasingly playing in the nation's health-care system. In recent years, chains like CVS Caremark and Walgreen have opened retail clinics, staffed mostly by nurse practitioners and physician assistants, that provide basic services and advice. Kroger, meanwhile, owns a stake in a chain of clinics that operate in about 100 of its nearly 2,500 stores.

Until recently, state health departments reserved H1N1 vaccinations for high-risk groups, including children and pregnant women. About 60 million Americans—about one-fifth of the U.S. population—have been vaccinated, the Centers for Disease Control and Prevention said last week. The government is trying to boost awareness with public-service ads.

An uptick in swine-flu shots could help generate traffic for retailers at a time when consumer spending has been weak. While drugstores' prescription sales have been rising, front-of-the-store sales of items such as potato chips, batteries and deodorant have slowed. Over the past year, major grocers have been reporting declining sales at stores open at least a year.

"We clearly see potential opportunity" in the vaccinations, says Brian Dowling, a spokesman for grocer **Safeway** Inc., which runs Dominick's, Von's and Tom Thumb stores. Indeed, retailers are hoping the H1N1 shots will spark a jump in sales of other flu-prevention products, such as hand sanitizer.

Walgreen says it will have vaccinations in 49 of the 50 states by the end of the year. **Wal-Mart Stores** Inc. is offering inoculations in every state except Hawaii and Alaska, while CVS Caremark is offering them in 23 states and Rite Aid in 30 states. Safeway says it has obtained H1N1 vaccines for all its 1,730 stores in 17 states.



Maurice Brannon gets a seasonal flu shot at a Columbia, S.C., Walgreens in September. The chain recently started offering swine-flu vaccinations.

Sources: the companies; Bloomberg News (Kroger photo); Associated Press (other photos)

Spectra reaches pacts to expand two projects

By John Kell

Spectra Energy Corp. said Monday it signed binding agreements to expand two major projects, saying a proposed pipeline would be capable of transporting up to 800 million cubic feet per day of new natural-gas supplies.

The commitment by **Chesapeake Energy** Corp., **Consolidated Edison** Inc. and **Statoi**l ASA would provide "critically needed gas supplies to the New Jersey and New York area," Spectra said. It expects service to begin in the fourth quarter in 2013.

Spectra said the company hadn't completed an estimate for a price tag on the expansion plans at this time.

The expansion of the company's Texas Eastern Transmission, which connects Texas and the Gulf Coast to the Northeast, and Algonquin Gas Transmission, which is located in New England, would include construction of a 16-mile pipeline that connects Texas Eastern's existing pipeline in Staten Island to a new interconnect with Con Edison in New York City. Chesapeake would be the largest capacity holder.

Other proposed expansions include the replacement of five miles of existing pipeline in New Jersey and New York with larger pipelines and additional facilities on Spectra's existing Algonquin pipeline.

Proposed facilities under the Texas Eastern system include constructing two metering and regulating stations in Morris County, N.J., and one in Jersey City, N.J. The company also plans to modify compressor stations at two New Jersey locations and its metering and regulating stations in Richmond County, N.Y., and Linden, N.J.

For Spectra's Algonquin system, the company plans modifications to three facilities, as well as the construction of a meter station next to its Ramapo metering and regulating station in Rockland County, N.Y.

For its part, Chesapeake said the project was the first major pipeline expansion in the Northeast that is designed to transport its Marcellus Shale natural-gas production and will likely be followed by other pipeline expansion projects in the region.

Noble Energy signs gas deal

By Tess Stynes

Noble Energy Inc. and its partners signed a letter of intent to sell natural gas from the Tamar field, off Israel, to the country's state-owned electric company over 15 years. The deal could produce $9.5 billion in revenue for the consortium.

Israel Electric Corp. plans to purchase at least 95 billion cubic feet of natural gas a year. Noble Energy estimates the deal could produce annual revenue of $400 million to $750 million.

The oil-and-gas producer operates the Tamar field, and has a 36% stake. Partners include **Isramco Negev 2** LP, with a 29% stake, and **Delek Drilling** LP and **Avner Oil Exploration** LP at 16% each.

Noble Chairman and Chief Executive Charles D. Davidson said, "The progress on both the development and marketing of Tamar continues to move us along towards first production in 2012, consistent with our original projections."

China CNR is listless in its debut

It was the latest in a string of feeble IPO performances in Shanghai in the last two months

SHANGHAI—The trading debut of locomotive maker **China CNR** Corp. was weaker than expected, following feeble performances by several other mainboard listings on their first day of trading in the last two months because of high valuations and increased supply

CNR ended at 5.69 yuan (83 U.S. cents), up 2.3% from its initial-public-offering price of 5.56 yuan a share.

IPO FOCUS

The stock opened at 5.80 yuan, 4.3% higher than its IPO price, but well below expectations of a 16.5% rise, according to the average forecast of four analysts surveyed by Dow Jones Newswires.

"Investors' interest in IPOs will remain subdued as long as they can't secure a juicy profit when the stocks are listed," said Li Nian, an analyst at Shenyin Wanguo Securities.

CNR raised 13.9 billion yuan ($2.04 billion) in its IPO last week after pricing 2.5 billion yuan-denominated Class A shares, or 30% of its enlarged capital, at the top end of the indicative range.

The IPO price represented 49.21 times 2008 earnings. CNR's major rival, **China South Locomotive & Rolling Stock** Corp., is trading around 40 times 2008 earnings.

Analysts said CNR's high valuation wasn't the major reason behind its weak first-day performance. **China Shipbuilding Industry** Co., the last large IPO in Shanghai, sold its shares at 42.14 times its 2008 earnings, while other shipbuilding companies were trading around 20 times 2008 earnings. China Shipbuilding Industry opened 14% higher than its IPO price on Dec. 16, while another large Shanghai listing, **China Merchants Securities** Co., gained 13% in its debut Nov. 17. Both China Shipbuilding Industry and China Merchants Securities have since drifted below their IPO levels.

CNR's final offering size, widely considered a reduction from an original target of three billion shares, came after a decline on the local stock market because of concerns about the effect on market liquidity of a quickening pace of IPOs.

China's securities regulator approved 50 companies to launch IPOs in December, the most in a month since China ended a nine-month moratorium on IPOs in June, raising supply in hopes of cooling the market.

The Shanghai Composite Index is up 74% since the start of the year, despite dropping 8.7% from its year-to-date peak on Aug. 4.

—Wynne Wang

Chinese offerings

10 largest IPOs in China in 2009

Priced	Issuer	Value in millions of U.S. dollars	Share performance on first trading day
July 24	China State Construction Engineering	$7,342	up 56.2%
Sept. 17	Metallurgical Corp. of China*	2,778	10.9
Dec. 9	China Shipbuilding Industry	2,156	12.5
Dec. 23	**China CNR Corp.**	**2,036**	**2.3**
Nov. 12	China Merchants Securities	1,628	8.4
Aug. 6	Everbright Securities	1,605	30.0
Dec. 29	China National Chemical Engineering	982	Not yet trading
Oct. 26	Jiangsu Yanghe Brewery Joint-Stock	396	46.5
Sept. 25	China International Travel Service	380	45.0
Sept. 24	Beijing Ultrapower Software	268	77.4

* Excludes H-share portion

Source: Dealogic

Munich Re urges global climate action

By Ulrike Dauer

FRANKFURT—**Munich Re** AG, one of the world's largest reinsurers, said economic and insured losses caused by climate change will continue to grow, and called for a global agreement to substantially reduce greenhouse-gas emissions.

"We need as soon as possible an agreement that significantly reduces greenhouse gas emissions because the climate reacts slowly and what we fail to do now will have a bearing for decades to come," management board member Torsten Jeworrek said Tuesday.

"In the light of these facts, it is very disappointing that no breakthrough was achieved at the Copenhagen climate summit in December 2009," Mr. Jeworrek said.

Reinsurers and primary insurers provide insurance protection against losses caused by large natural and manmade disasters.

Munich Re said it will step up its own initiatives in the matter, including investments of as much as €2 billion ($2.88 billion) in renewable energy and a strong commitment to the Sahara solar-power project Desertec, which aims to come up with a feasible plan for generating solar power in the Sahara within the next three years.

Munich Re said losses caused by natural disasters cost the global insurance industry about $22 billion in 2009, down 56% from a year earlier, when greater U.S. hurricane activity helped drive payouts of about $50 billion. The figures are similar to estimates by Swiss peer **Swiss Reinsurance** Co., which estimated at the end of November that the bill the insurance industry had to pay for natural-disaster losses in 2009 amounted to $21 billion.

"Severe weather events accounted for 45%, or nearly half, of global insured losses" in 2009, Munich Re said. It also said this year's lower bill for natural disasters and the absence of "severe hurricanes and other mega-catastrophes" shouldn't cause complacency, because there were a large number of moderately severe natural disasters.

"In particular, the trend toward an increase in weather-related catastrophes continues, while there has fundamentally been no change in the risk of geophysical events such as earthquakes," said Peter Hoeppe, who heads Munich Re's Geo Risks Research unit.

This month, leaders of the U.S., China and other major economies agreed on a new climate accord in Copenhagen, though many have said it wasn't ambitious enough and a future round of negotiations is required to hash out the details. The accord contained no specific targets to reduce greenhouse-gas emissions by 2050. A proposed 50% cut that was in earlier drafts was removed.

The pact calls on developed nations to provide $30 billion to help developing nations deal with the effects of climate change from 2010 to 2012. By 2020, rich nations aim to jointly mobilize $100 billion a year for poor nations.

Under the deal, countries have pledged to try to keep atmospheric concentrations of carbon dioxide low enough to keep average global temperatures less than two degrees Celsius above preindustrial levels; some scientists say breaching this threshold could have catastrophic consequences. But the agreement doesn't specify how countries will achieve that goal.

Rifts among the U.S., China, Europe and a divided group of developing nations resulted in a near breakdown of talks during the summit attended by representatives of some 200 nations. The conference ended after a fractious all-night debate. The agreement has no legal force, is vague on crucial details and will require further rounds of diplomatic bargaining to make much of an environmental difference.

ING is selling its stake in Chinese insurer to CCB

BEIJING—Dutch financial company **ING Groep** NV will sell its 50% stake in **Pacific Antai Life Insurance** Co., one of its two Chinese insurance joint ventures, to **China Construction Bank** Corp., a deal that will help the state-controlled lender gain a footprint in the life-insurance sector.

ING's exit from Pacific Antai, in which **China Pacific Insurance (Group)** Co. holds the other half, comes after Canadian firm Manulife Financial Corp. pulled out from one of its two joint ventures in China in September.

Both moves are a response to regulatory desire for foreign insurers to focus their China businesses in a single venture.

ING said it will keep its stake in Dalian-based ING Capital Life, a 50-50 joint venture with **Beijing Capital Group** Co.

Neither ING nor CCB disclosed financial details of their deal. ING said the transaction is subject to regulatory approval and should be completed in the second half of 2010.

In 2000, ING, which already had a 50% stake in ING Capital, acquired its second life-insurance venture in China when it took over the Asian operations of U.S. financial group **Aetna** Inc., which included Aetna's stake in Shanghai-based Pacific Antai.

Selling the Pacific Antai stake "enables us to focus our efforts on building a stronger insurance platform through ING Capital Life to capture the opportunities presented in China," ING Insurance Asia Pacific Chief Executive Frank Koster said.

While the deal will allow CCB, the second-largest state-controlled lender after **Industrial & Commercial Bank of China** Ltd., to expand into life insurance, analysts say the deal will have a small impact on CCB, given the small size of the insurance joint venture.

Pacific Antai had 3.5 billion yuan ($512 million) in assets at the end of June, according to the ING statement.

Jacky Ding, an analyst with Sinolink Securities Co., said the deal will allow Pacific Antai to quickly expand its sales channels via CCB's outlets.

But he said, "CCB is unlikely to treat the venture as a strategic investment at least in the short term," because it will continue to sign sales agreements with other insurers to maximize its returns.

The latest rules from the China Insurance Regulatory Commission aimed at preventing cross-sector risk transfer also mean big banks and large insurers aren't likely to form major partnerships in the near term, analysts said.

Under the new rules, banks can't offer any form of credit to insurers in which they have stakes, except in extraordinary circumstances.

—Victoria Ruan

AIG counsel gets millions as she leaves

By Serena Ng And Joann S. Lublin

American International Group Inc. is preparing to pay its outgoing general counsel Anastasia Kelly several million dollars in severance after she resigned over federal pay curbs, according to people familiar with the matter.

AIG determined that its top in-house lawyer was entitled to the money under the company's severance plan, whose terms say certain executives can resign and collect severance if their pay is reduced significantly, the people said. The move comes amid recent scrutiny of Ms. Kelly's actions in a December pay dispute involving her and four other senior executives.

AIG's board engaged an outside law firm, **Orrick, Herrington & Sutcliffe** LLP, this month to review Ms. Kelly's actions after she advised other executives on what they could do to protect their rights to collect severance benefits. Ms. Kelly also helped them arrange for outside counsel, a spokesman for her has previously said.

The executives notified the insurer on Dec. 1 that they were prepared to resign and collect severance benefits if their pay was cut significantly by the U.S. pay czar, who was reviewing pay packages for a group of 75 AIG executives at the time.

The U.S. pay czar capped annual cash salaries for most executives at $500,000, and Anastasia Kelly's pay stood to be reduced significantly.

The four others, who work at AIG's insurance and financial-services units, later withdrew their notices, leaving only Ms. Kelly's outstanding.

Ms. Kelly subsequently told the company she would resign, according to a person familiar with the matter.

The law firm's investigation looked into whether Ms. Kelly performed her duties properly as the firm's general counsel and as an executive who would be affected by the pay czar's determinations, according to people familiar with the matter.

The attorneys gave the AIG board's compensation committee a verbal report earlier this month, people familiar with the matter said. One person familiar with the report said the law firm's findings "can be interpreted in a number of ways." The committee concluded Ms. Kelly's conduct shouldn't prevent her from receiving severance, people familiar with the matter said.

The severance plan was put in place before the government bailed out AIG last year.

Earlier this month, U.S. pay czar Kenneth Feinberg capped annual cash salaries for most executives at $500,000, and Ms. Kelly's pay stood to be reduced significantly, say people familiar with the matter.

Ms. Kelly has been at AIG since 2006 and was appointed vice chairman this year. The company is expected to name a new general counsel soon.

MARKETS

Lawsuit targets Harbinger over deal

Nacco Industries alleges the hedge fund received private information about the appliance-maker's bid for Applica

By Mark Maremont And Jenny Strasburg

An aggrieved suitor in a 2006 bid to buy an appliance firm alleged that **Harbinger Capital Partners**, a prominent hedge fund that won the takeover battle, received nonpublic information about the rival bid and accumulated a big stake before the deal talks were made public, according to documents cited in a preliminary ruling in the Delaware Chancery Court.

In a lawsuit alleging breach of contract and other claims related to its failed bid, **Nacco Industries** Inc. alleged that executives of takeover target **Applica** Inc. passed tips through a consultant working for Harbinger, a New York hedge fund run by Philip Falcone. Nacco sells Hamilton Beach-brand appliances.

The consultant allegedly gave Harbinger information about the Nacco deal's structure before it was public and told Harbinger a Nacco-Applica deal was struck shortly before it was announced, according to Nacco's complaint and other documents cited in a Delaware judge's Dec. 22 decision. The judge allowed Nacco's action to go forward.

The consultant denies receiving nonpublic information from Applica, saying the information he obtained was publicly available. The decision doesn't provide evidence from Nacco to support its allegation that the information originated with Applica.

The judge, Vice Chancellor J. Travis Laster, said there were "potentially legitimate" explanations for the communications between the consultant and Harbinger, reflected in emails between them.

Still, the judge called the consultant's information "excellent" and wrote that Nacco's allegations support an "inference of a pattern of contacts between Applica insiders and Harbinger representatives" during 2006, before and after an original Nacco-Applica deal was announced. The judge assumed without deciding that Nacco's allegations were true, as is typical in a preliminary ruling.

In a statement, Harbinger said there was no "evidence of the transmission of inside information from anyone at Applica to anyone at Harbinger at any time." The firm said the outside consultant was passing along "rumors" and "trader talk," some of it inaccurate. Harbinger called the suit "meritless" and a "continuing effort by a disgruntled buyer to salvage something from its failed effort to buy Applica."

"As is its practice, Harbinger acted with total propriety in this transaction," Mr. Falcone said in a separate statement. "With 20/20 hindsight, I wouldn't do one thing differently."

Nacco alleged that the hedge fund interfered with the firm's ability to complete its acquisition by filing false disclosures about Harbinger's own intentions and conspiring with Applica management to foil Nacco's bid. Nacco is seeking unspecified damages for the value of its lost transaction.

Harbinger in 2006 launched a competing bid and Applica, known for marketing appliances licensed under the Black & Decker brand, eventually was combined with another company controlled by Harbinger, Salton Inc., seller of Westinghouse appliances. Harbinger said its "intent in purchasing Applica shares evolved over time and that its filings at all times properly disclosed to the market the correct intentions of Harbinger."

Harbinger said it bought Applica stock based on its independent research and strategy, steadily boosting its stake the way it has done with other companies. Its big stakes have included **New York Times** Co. and **Calpine** Corp.

Nacco claimed that over time Harbinger used nonpublic information to help formulate its strategy and accumulate its Applica stake at inexpensive prices.

Nacco has failed before in litigation over the matter, including a 2006 federal suit in Ohio that Nacco dropped after a judge ruled that the company was unlikely to prevail in a claim that Harbinger misled the market about its own takeover intentions. The emails surfaced publicly in the Dec. 22 ruling in the Delaware case. Many documents are under seal or publicly redacted.

An attorney for Nacco said the company had no comment. Terry Polistina, who was Applica's chief financial officer at the time of the deal and is now chief executive of the merged company controlled by Harbinger, **Russell Hobbs** Inc., said in a written statement that he "had responsibility for the Nacco and Harbinger transactions," adding, "we never gave Harbinger or any one else outside the company confidential information."

Harbinger said there was no "evidence of the transmission of inside information from anyone at Applica to anyone at Harbinger at the time."

Mr. Falcone, a former Barclays Capital trader, oversees about $8 billion in assets at Harbinger. A former Harvard University hockey player who grew up in Minnesota, Mr. Falcone rose to prominence in 2007 when his bets on the decline of the housing market earned him billions in profits. Those gains helped him amass some $20 billion in hedge-fund assets.

Harbinger, like many other hedge funds, stumbled in 2008 as its holdings in energy, financial and other companies lost value, and as some investors sought to pull money. Harbinger's biggest funds rebounded this year, and Mr. Falcone has opened new funds and delved more deeply into deals in telecommunications and other sectors.

In 2006, Nacco and Applica started merger talks in January, Nacco said. Weeks later, on Feb. 24, 2006, according to emails cited in the judge's ruling, Mr. Falcone instructed an outside broker: "START ACCUMULATING [Applica] QUIETLY. SIZE." The next trading day, Feb. 27, he sent the same broker a message "I CAN USE MORE [Applica] TODAY."

Within two days, Nacco said, Harbinger acquired 518,000 shares of Applica. On Feb. 28, Applica announced it was exploring strategic alternatives, in effect putting itself up for sale. Nacco claimed that Applica management tipped David Maura, an adviser to the hedge fund, the judge's opinion noted.

Mr. Maura, a former analyst at **First Albany** Corp. who covered Applica's debt, was hired as a consultant by Harbinger in March 2006, according to a Harbinger public filing.

"I categorically deny that I ever received any non-public information from Applica regarding its potential transaction with NACCO or any other entity," Mr. Maura, now a Harbinger employee, said in a written statement. He said his information was based on "publicly available data and market chatter and speculation," that he recommended the investment "long before" Harbinger bought Applica stock.

Harbinger declined to make Messrs. Maura and Polistina available for interviews, citing ongoing litigation.

Many of the emails quoted by the judge are between Mr. Maura and Harbinger chief Mr. Falcone, and start around March 31, 2006.

As the confidential Nacco-Applica talks progressed in 2006, the emails quoted by the judge indicate Mr. Maura was suggesting to Mr. Falcone that he could bid for Applica and merge it with Salton. In late April, according to communications cited in the suit, Mr. Maura wrote that he was hearing that bids "are in the $4+ range" and suggested it would be cheaper to buy more Applica stock rather than wait until a bid became public.

In a June 22 email, Mr. Maura provided Mr. Falcone "the proposed structure of the [Nacco] merger, which was not yet public," the judge wrote, citing Nacco's claims. By that point, Harbinger had accumulated a 32% stake in Applica, according to a public filing.

On Friday, July 21, "Maura's information again proved to be excellent," the judge wrote. The consultant told Harbinger that Applica "has a deal" that would be announced shortly, the judge's opinion said, citing communications between Mr. Maura and the hedge fund. Applica's board approved the deal that day, in which it would be merged into Nacco's spun-off Hamilton Beach unit in an all-stock deal.

It was announced before the market opened the next trading day, July 24, and the market initially valued the all-stock deal around $4 per Applica share, up from $2 in February when Applica said it was considering selling itself. The stock rose steadily in the weeks following both announcements.

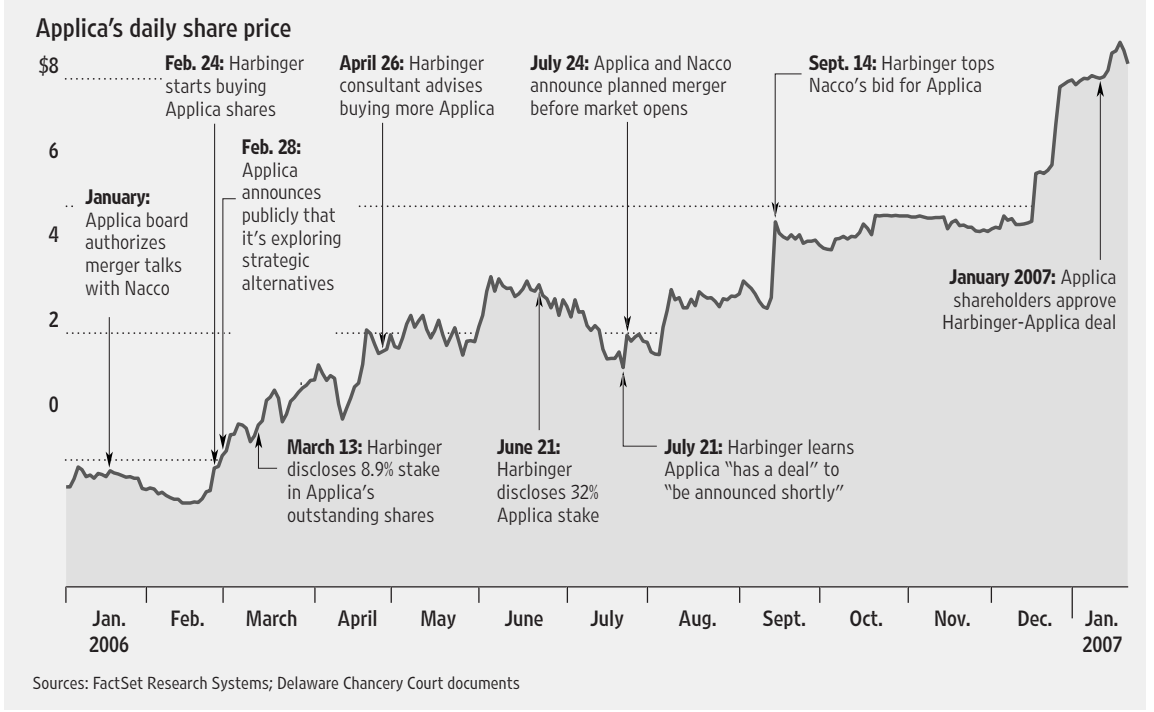
In its statement, Harbinger said Mr. Maura's July 21 email was based on what he heard in the market, and in any case was sent at 7:13 p.m., long after the market closed—leaving no time before the deal announcement for trading on the information.

Harbinger eventually won the bid for Applica with an $8.25-per-share offer in January 2007, valuing Applica's equity at about $200 million.

Bloomberg News

Philip Falcone, shown in November 2008, oversees about $8 billion in assets at Harbinger Capital Partners.

Jilted buyer sues | Judge's ruling allows case about 2006 takeover to go forward



Sources: FactSet Research Systems; Delaware Chancery Court documents

Morgan Stanley to revise pay

New system to include deferred shares, benchmarking against rivals; 'clawbacks' discussed

By Aaron Lucchetti

Morgan Stanley is poised to overhaul the way it pays its most senior executives, deferring more of their compensation over time and benchmarking their pay against rival firms, according to people familiar with the matter.

But the investment bank may stop short of the approach taken by **Goldman Sachs Group** Inc., which said its top executives would receive only stock for 2009 bonuses. Senior Morgan Stanley executives may receive about one quarter of their 2009 pay in cash, with the rest coming as deferred stock, one of the people familiar with the matter said. In recent years many received more of their pay in cash.

Wall Street pay has become a fraught issue for firms such as Morgan Stanley, whose top executives have conceded they may have failed without emergency government support in late 2008. With trading and banking profits now improving, Wall Street is trying to calibrate pay to minimize outside criticism and yet still keep employees and executives happy.

Morgan Stanley's compensation committee met several times recently to discuss how it will pay top executives, including one meeting that lasted seven hours, a person familiar with the matter said. Under one idea being considered, most of the top 30 Morgan executives would submit 65% or more of their pay to deferrals or "clawbacks"—or the possibility of returning money in the event of future losses.

In addition, about 20% of total compensation would come in shares awarded based on Morgan's share price compared with peers' share prices. That portion also would be based on Morgan's return on equity versus preset benchmarks over a three-year period, the person said familiar with the matter.

Currently, senior Morgan Stanley officials defer less compensation and rely less heavily on benchmarks. The New York firm is also changing pay practices for traders, adjusting compensation for how much risk they take for the firm.

Morgan plans to make final decisions on these issues as soon as next month. "Morgan Stanley's board and management clearly understand the extraordinary environment in which we operate and, as a result, have made a series of changes to the firm's compensation practices," said Thomas Nides, chief administrative officer.

Compensation issues will be one of the first big challenges for James Gorman, the current co-president who becomes chief executive officer on Jan. 1. Intent on rebuilding Morgan's trading arm without taking outsize risks, Mr. Gorman appears intent on paying competitive bonuses.

But he also must show he is committed to reining in the firm's overall compensation, when measured as a percentage of overall revenue. At both Goldman and Morgan Stanley, shareholders have shown unrest about the portion of firm earnings that are paid as firm compensation and benefits—less than 50% for Goldman, about 64% for Morgan.

Morgan's overall compensation for 2009 is projected to be $14 billion, behind the $20 billion expected at Goldman, according to an analysis of public filings. But Morgan may end up posting a loss in 2009, while Goldman is expected to post profit of $11.1 billion this year.

One complicating factor comes from the increase in value of Morgan's bonds, which—in an unusual accounting treatment—translates into lower revenue. Morgan's growing brokerage business also sends the ratio higher.

Morgan Chairman and Chief Executive John Mack told employees on Dec. 18 that he will forgo a bonus—in cash or stock—for a third consecutive year, citing "this unprecedented environment and the extraordinary financial support governments provided to our industry."

That goes further than other CEOs, including Goldman's Lloyd Blankfein, who may take a bonus in stock this year. Mr. Mack's actions haven't been copied by other top executives, including Mr. Gorman. So far, it has done little to mute critics.

This month, Goldman essentially blinked amid the intensifying criticism of its potentially large 2009 bonus packages. Its board approved a plan giving shareholders a "say on pay" vote—a nonbinding shareholder vote on a company's pay practices.

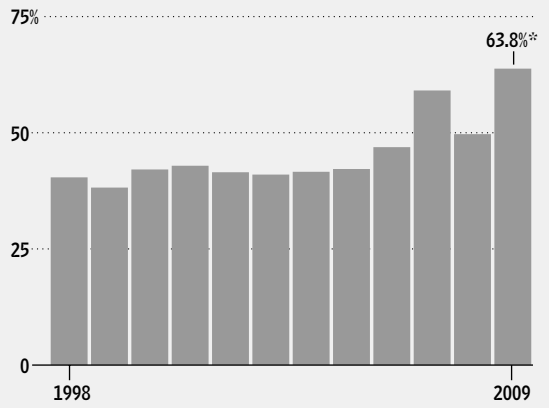
"Mr. Mack's announcement is an important step forward but doesn't even begin to address the issue" of returning to near-record bonus levels after receiving government support in the financial crisis, says Timothy Smith, a senior vice president overseeing corporate-governance issues at Boston money manager Walden Asset Management.

Hye-Won Choi, head of corporate governance at **TIAA-CREF**, which owned about $370 million of Morgan Stanley shares as of Sept. 30, said Morgan "should consider this an opportunity to adopt an advisory vote for shareholders" on pay.

Morgan Stanley and others face possible shareholder votes on an AFL-CIO proposal that would require executives to hold their stock longer. **J.P. Morgan Chase** & Co. and Goldman among others face possible shareholder votes over proposals they study the widening gaps in compensation between their top executives and other workers.

Paying up

Compensation and benefits as a percentage of net revenue at Morgan Stanley



Note: Revenue figures include adjustments to the value of Morgan Stanley's debt that significantly increased revenue in 2008 and decreased it in 2009. Years are fiscal years ended Nov. 30, except for 2009.

Source: WSJ research; the company

*2009 figure is through Sept 30.

Associated Press

James Gorman, the next CEO

Bloomberg News

Alfredo Sáenz isn't expected to serve any jail time because he has no previous criminal record.

Santander CEO convicted in 1994 case

By Christopher Bjork

MADRID—The chief executive of **Banco Santander** SA has been convicted by a Barcelona court for the criminal charge of false accusation in a case that dates to 1994, court documents showed.

Alfredo Sáenz was sentenced to six months and one day in prison but isn't expected to serve any jail time because he has no prior criminal record. It is customary in Spain that people with no previous convictions don't serve time when the prison term is less than two years.

A Santander spokeswoman said Mr. Sáenz declined to comment and referred questions on the case to **Banco Español de Crédito** SA, which said it will appeal the verdict.

The case involves four clients of the bank, known as Banesto. According to the court documents, Banesto in July 1994 presented a criminal complaint against the four clients in an attempt to force them to pay back a debt.

That complaint was later dismissed, and the clients filed countercharges against Banesto and Mr. Sáenz, who was chairman of the bank at the time. The businessmen claimed that as chairman, Mr. Sáenz was fully aware of the filing of the complaint against them although he didn't personally file it. Mr. Sáenz disputed that, saying he was focused on an upcoming shareholder meeting at the time, but the Barcelona court ruled against him.

The court also ordered Mr. Sáenz to pay a €9,000 fine. Another Banesto executive and a lawyer working for Banesto received the same sentences as Mr. Sáenz.

Mr. Sáenz was appointed chairman of Banesto after the Bank of Spain stepped in to prevent its collapse in December 1993. As chairman, he focused on getting the then-ailing lender back into shape by pursuing troubled debtors aggressively. Banesto, currently Spain's fourth-largest bank by market capitalization, was bought by Santander in 1994 in an auction.

In February 2002, Mr. Sáenz was named chief executive of Santander, currently the largest bank in the euro zone by market value.

The four clients were Pedro Olabarría Delclaux, Luis Fernando Romero García, José Ignacio Romero García and Modesto González Mestre. The Barcelona court ordered the accused to pay a restitution of €1 each to Mr. Olabarría and Messrs. Romero and €100,000 to Mr. González Mestre. If they cannot pay, the court said Banesto would have to do it for them.

Russia sheds debt burden of Soviet era

By Riva Froymovich

Russia has rid itself of Soviet-era debt, paving the way for it to re-enter international capital markets after a decade.

Russia exchanged $405.8 million of cash and sovereign Eurobonds maturing in 2010 and 2030 last week to the remaining outstanding bondholders of Soviet debt.

"Completion of the last exchange represents the settlement of one of the most complex and comparatively large categories of the external state Soviet-era debt," Russia's Finance Ministry said.

The government had said it intended to finish the exchange before issuing new bonds. The size of Russia's Eurobond issue, seen early next year, could be as much as $17.8 billion, according to Finance Minister Alexei Kudrin, depending on the price of oil.

The nation's re-entry comes as fresh emerging-market sovereign debt is expected to reach critical mass. Brazil, Venezuela, Mexico and Argentina also are forecast to sell new bonds in 2010, among others.

Demand isn't expected to be a problem for any of these issuers, many of which came to market en masse in 2009 to feed funding requirements by taking advantage of heightened investor demand.

Russia's Finance Ministry has said it will lean more heavily on overseas debt markets through 2012 to finance annual deficits, as Russia's oil wealth funds run down.

Standard & Poor's said on Monday that Russia's net government borrowing requirement could come in at 6% of gross domestic product in 2010. Last week, the ratings provider raised the sovereign outlook on Russia to stable from negative and affirmed its rating at triple-B, noting that budget and balance-sheet performance will gradually improve.

Mr. Kudrin said the move created a "good environment" for the anticipated Eurobond offering.

"I think there will be high demand" for Russia's Eurobond, said John Chambers, chairman of Standard & Poor's sovereign-rating committee. "It's a solid investment-grade credit."

Associated Press

Finance Minister Alexei Kudrin says Russia may issue $17.8 billion of debt.

Russia holds an investment-grade rating from all three international ratings providers, partially reflecting its $440 billion of gold and currency reserves, the world's third largest next to China and Japan. Mr. Chambers added that Russia will be afforded more financing flexibility by tapping international markets.

"Governments often come to market early to nail down their external borrowing needs. I think there will be plenty of demand at all levels," Mr. Chambers said.

This year, investors sought to tap the higher yields of riskier credits while the developed world kept interest rates near record lows. The rate differential is poised to continue for many months.

"If [Russia] prices with some concession to the secondary market, a deal could go well," said Claudia Calich, head of emerging markets and a senior money manager at Invesco in New York.

Lately, issuers such as Brazil haven't even had to concede much because of strong demand.

Mr. Chambers also said stress on the banking sectors in Central and Eastern Europe is diminishing. With regard to Hungary, whose economy has been plagued by banking sector fears, he said "things have pretty much stabilized," although concern remain.

MARKETS

New BofA chief seeks credit-card fix

Division lost $4.5 billion in the first nine months of 2009, making it the bank's worst-performing business

By Dan Fitzpatrick

When **Bank of America** Corp.'s new chief executive takes over next week, one of the first problems he will face is one he has already been grappling with—the bank's credit-card business.

Cards were already the responsibility of CEO Brian Moynihan in his previous job as president of consumer and small-business banking. But the 50-year-old executive had only taken that job in August so had little time to get his hands around the problem.

He did have enough time to realize that mistakes were made and the business had to change.

"We gave a lot of cards out to our customers," Mr. Moynihan said in a Nov. 5 speech. "We were giving them to too many people."

He discussed a "repositioning" of the business that would rely less on borrowing and more on card transactions, while acknowledging that the business won't be as big or as profitable as it used to be.

Bank of America is the second-largest U.S. card issuer, after **J.P. Morgan Chase** & Co., and the card division accounts for 23% of Bank of America's revenue through the first nine months of 2009. Net profit for the period was $6.47 billion.

Yet cards also lost $4.5 billion during that same period, making it the worst-performing Bank of America business line. It also had a default rate higher than other major rivals, at 13%.

The current problems have their root in Bank of America's push to become No. 1 in the card business.

In 2006, it purchased **MBNA** Corp., one of the nation's biggest credit-card issuers, for $35 billion, hoping to combine the card company's marketing and underwriting skills with its own massive branch network.

The moves were part of a larger strategy to achieve dominance in nearly every category of American finance, from mortgages and home-equity loans to commercial lending and wealth management.

Bloomberg News

Brian Moynihan, who takes over as chief executive of Bank of America next week, has insight into the bank's credit-card woes as president of consumer and small-business banking.

But in its pursuit of market share, Bank of America made poor underwriting decisions and the banking crisis of the last two years exposed many of those flaws.

While trying to become the nation's No. 1 small-business lender, it offered unsecured credit lines of as much as $100,000 to start-ups, some in business for only one day. Bank of America's small-business default rate hit 17.5% in the third quarter of 2009.

Bank of America courted more risk in credit cards by pairing its purchase of MBNA with a customer-tracking system known as "Teller Score." A bank teller would receive a prompt to offer a pre-approved credit card to the customer standing at the window.

Weekly acceptance reports were broken down by region, market, branch and individual levels. The bank's executives would discuss the credit-card approvals on weekly conference calls.

It was a "product-pushing approach," said one person familiar with the process.

A Bank of America spokeswoman declined to discuss specific losses from branch card sales. She said that the problems in the card division were largely the result of a downturn in the U.S. economy and the bank's exposure to troubled spots of the U.S. such as California and Florida.

Another misstep for Bank of America, said FBR Capital Markets analyst Paul Miller, was that it took too long to cut credit lines as customers went delinquent.

Bank of America "always took a more optimistic view of the economy," Mr. Miller said.

Bank of America is making changes to the way it issues cards, hoping to cut its losses.

Starting Jan. 1, a spokeswoman said, branch employees and their managers will have some of their pay tied to how many different products they can sell to existing customers, rather than, for example, selling multiple credit cards to the same customers as they did in the past.

A more important metric, she said, will be the branch's "cross-sell ratio," or how many different products are owned by each household.

The Teller Score system isn't going away, the spokeswoman said, but it will be applied differently.

If the customer is interested in a card, the teller won't close the deal. Instead, the customer will step out of line and seek out a "personal banker" elsewhere in the branch for a more in-depth conversation.

"We want to have the right discussion with the right person," said Mark Hogan, who in charge of Bank of America branches in the eastern half of the U.S.

Mr. Moynihan and other bank executives note that they are seeing signs of stabilization on card losses.

But it will be a "substantial number of quarters until we see charge off rates return to levels which we are more comfortable with," Mr. Moynihan said in November. And the business "won't be as profitable as in our heyday."

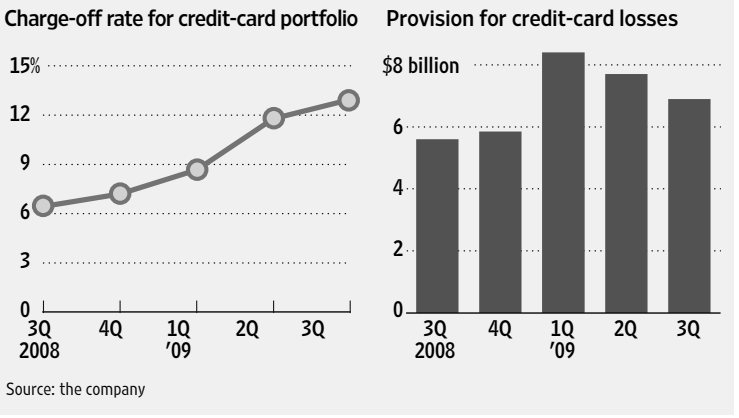
But "that is fine because that is still a pretty good business for us. It is a good use for our balance sheet, a good use of our capital."

Bank of America shares were down 0.6% at $15.19 in midday trade in New York on Tuesday.

—Carrick Mollenkamp contributed to this article.

Credit headaches

New Bank of America CEO Brian Moynihan is trying to restructure the bank's credit-card division after billions in losses in 2009



Source: the company

A fund farewell, if not a fond one, for investors

By Chuck Jaffe

More than 2,000 funds were liquidated or merged out of existence in 2009, the biggest pruning of the fund industry in years. The extinct are a mix of the uninspired, the mediocre, marketing failures and big mistakes, plus a few good ideas that didn't click.

FUND TRACK

Among the funds for which the bell tolled:

■ **Ameritor Security Trust** was the last remnant of the Steadman funds, likely the worst fund family in history. Started in the 1950s, these funds ultimately were nicknamed the "Dead Man" funds because they routinely finished last in the rankings and it was assumed any living shareholder would have bailed out. The funds had a four-decade ride of shriveling to zero. The market's bust in 2008 and early 2009 struck the final blow, with Ameritor Security Trust giving up the ghost at the beginning of April. In its last 12 months, the fund posted a 55% loss.

■ **Kids Fund** opened just before the holidays in 2008 to help parents "seeking to educate their children on the virtues of investing" by owning stocks in big, brand-name firms that children know and love. Children may not know much, but what they knew at the end of 2008—the worst stock market year of their young lives—was that they wanted to keep their money in a piggy bank for a while. Even a kid could figure out that this was doomed from the start; management figured it out and liquidated by the end of April.

■ **Ralph Parks Cyclical Equity** purported to use "digitized investing"—a system developed by manager Ralph Parks to "help eliminate the random nature of investing in common stocks." The plan was to make money in all conditions, "rooted in the philosophy that an investor's limited time and money should be invested only in the strongest investments with the lowest volatility." Sounds cool. Didn't work. In the 12 months leading up to its June liquidation, Ralph Parks Cyclical Equity lost two-thirds of its value.

■ The **Utopia** funds attracted a following of industry experts who thought its money manager—from a boutique investment firm in Traverse City, Mich.—were maverick thinkers and future stars. In Utopia's thinking, according to InvestmentNews, late August 2008—with many stocks down 50%—was the perfect time to buy. That was just before the market got really ugly; the funds were slaughtered. The family's four funds were shut at the end of March.

> The extinct include the mediocre as well as a few good ideas that didn't click.

■ **Allstate**'s **ClearTarget** funds, the Longevity series from **Payden/Wilshire**, and **Old Mutual**'s target-date issues were among the many target-date funds to kick the bucket in 2009, largely because they could never build a following. The biggest players in the retirement-savings market—**Vanguard Group** and **Fidelity Investments**—dominate the business; a survey of nearly 1,500 plans done by InvestmentNews found that 94% of those plans only use target-date funds from the plan recordkeepers.

■ **Free Enterprise Action Fund** opened in 2005 as a "shareholder activist fund" to "aggressively [challenge] liberal CEOs who threaten conservative and libertarian values." After a few years of mediocrity, management apparently grew tired of shouting. In the strangest merger of the year, Free Enterprise Action was swallowed by the **Congressional Effect Fund**, which "seeks to minimize investor exposure to the typically negative impact of new and proposed Congressional legislation on the broad stock market."

■ **BlackRock Florida Municipal Bond** was a bad investment idea for nearly two decades. Typically, investors buy single-state muni funds to avoid state income taxes. Florida doesn't have one. While munis do beat the state's "intangible tax," they need only to be held on Dec. 31 to do that; in short, this fund only ever provided even minimal tax help just one day each year. Most fund companies closed Florida muni funds years ago.

BlackRock finally merged its fund into BlackRock National Municipal in February.

■ In November 2008, Time magazine's "inventions of the year" included new exchange-traded funds from MacroMarkets that would allow investors to bet on whether home prices would rise or fall. **MacroShares Major Metro Housing Up** and **MacroShares Major Metro Housing Down** launched in June 2009 and proved to be more like "inventions for a few months." The funds' last day was Monday.

Abu Dhabi credit fears help dollar to recover

By Fabio Alves

NEW YORK—The dollar gained against the euro and the yen Tuesday as a ratings downgrade of an Abu Dhabi bank led to renewed credit concerns, sending investors to the safety of the greenback.

CURRENCY MARKETS

In thin trade near midday, the euro was at $1.4342, down from $1.4378 late Monday. The dollar was at 91.98 yen, from 91.62 yen, while the euro was at 131.91 yen, from 131.73 yen. The U.K. pound was at $1.5886, from $1.6002 and the dollar was at 1.0377 Swiss francs, from 1.0348 francs.

The ICE Dollar Index, which tracks the dollar against a trade-weighted basket of currencies, was at 77.887 from 77.625.

Moody's Investors Service cut its rating on Abu Dhabi Commercial Bank to A1 from Aa3, reviving concerns of credit risk.

"Moody's downgrade of the Abu Dhabi Commercial Bank sent the whole risk-trade lower and that seems to be helping the dollar," said Jacob Oubina, a currency strategist at Forex.com in Bedminster, N.J. The downgrade offset the "risk-on sentiment overnight," which had boosted the euro and other higher-yielding currencies, he said.

Very light trading, which is typical for the days between the Christmas and New Year's holiday breaks, was exacerbating market moves, traders said.

Japanese yields ease lower

By Megumi Fujikawa

TOKYO—Japanese government-bond yields generally eased as investors remained reluctant to aggressively build positions ahead of the New Year holidays.

BOND MARKETS

Wednesday is the last trading day of the year. The market will reopen Monday.

The benchmark 10-year yield shed 0.005 percentage point Tuesday to 1.295%.

Yields above 1.3% are likely to be an attractive buying point for those who didn't buy when the 10-year yield was above 1.4% from late October through early November, said Kazuhiko Sano, chief strategist at Citigroup Global Markets Japan.

But with a lack of major domestic events, analysts say traders and investors are focused on developments in overseas markets.

"Whether a recent rise in U.S. Treasury yields will lead to the dollar's appreciation and the yen's weakness is key from now on," said Makoto Yamashita, a strategist at Deutsche Securities.

Treasurys keep morning's gain after auction

By Min Zeng

NEW YORK—Treasury securities held onto gains achieved in late morning after an auction of five-year notes early Tuesday afternoon.

Prices had fallen in early morning.

The five-year note came in at a yield of 2.665%, compared with the 2.656% just before the 1 p.m. auction. The bid-to-cover ratio was 2.59, compared with 2.81 in November and 3.63 in October. The average from the past four auctions is 2.59.

U.S. CREDIT MARKETS

The indirect bid, a measure of demand from foreign buyers including central banks, was 44%, compared with 60.9% in November and 54.8% in October. The average is 54.2% for the last four auctions. The direct bid was 13%, compared with 2.9% in November.

Light trade throughout the morning may have exaggerated price swings, traders said.

The 10-year and 30-year Treasurys outperformed shorter maturities, whose prices were pressured by this week's $118 billion government-debt supply. The government sold 42 billion in five-year notes at Tuesday and is to sell $32 billion in seven-year notes on Wednesday.

Buying also returned as the closely watched S&P Case-Shiller home-price indexes pointed to an anemic recovery in the housing market. Another report showed that U.S. consumer confidence rose this month, but details were less encouraging than the headline number suggested.

"The housing data certainly helped, but I'd bet on bargain-hunting over the data," said Aaron Kohli, U.S. government-bond strategist at RBS Securities Inc. in Stamford, Conn. "I'd still hesitate to call it a recovery, though, especially given the beating that Treasurys took last week and yesterday."

In late morning, the 10-year note was up 5/32, or $1.56 per $1,000 invested, at 96 11/32 to yield 3.82%, while the two-year Treasury note was flat at 99 26/32 to yield 1.09%. The five-year note was flat at 97 27/32 to yield 2.59% and the 30-year bond was 15/32 higher, at 95 7/32 to yield 4.67%.

FUND SCORECARD

Europe Large-Cap Value Equity

Funds that invest primarily in the equities of less expensive or slower-growing European large-caps. At least 75% of total assets are invested in equities. Ranked on % total return (dividends reinvested) in U.S. dollars for one year ending December 29, 2009

Leading 15 Performers

FUND RATING*	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US** YTD	1-YR	2-YR	5-YR
NS	**Mandarine Valeur I**	Mandarine Gestion	EUR	France	**54.33**	58.00	-16.78	NS
3	**Aktie-Ansvar Europa**	Aktie-Ansvar AB	SEK	Sweden	**51.76**	55.90	-13.88	3.66
4	**Aquila Intl Acatis European Eq EUR**	IFM Independent Fund Management AG	EUR	Liechtnstn	**49.91**	53.60	-5.04	5.40
NS	**Metavalor Europa FI**	Metagestión	EUR	Spain	**51.53**	53.22	-11.46	NS
3	**RWS-Aktienfonds Veritas**	Veritas Investment Trust GmbH	EUR	Germany	**49.83**	51.99	-10.72	6.67
5	**BG Long Term Value**	Boussard </td> Gavaudan Gestion	EUR	France	**47.35**	51.74	-5.60	9.56
3	**UBS (CH) IF Eqs Europe (ex CH) A**	UBS Fund Management (Switzerland) AG	CHF	Switzrlnd	**47.78**	50.96	-12.81	NS
2	**JPM Europe Focus A (acc)-EUR**	JPMorgan Asset Mgmt (Europe) S.a.r.l.	EUR	Luxembrg	**51.75**	50.93	-15.97	NS
5	**Acatis Aktien Europa Fonds UI A1**	Universal-Investment GmbH	EUR	Germany	**49.43**	50.21	-3.97	NS
2	**HSBC Valeurs Haut Dividende A Acc**	HSBC Global Asset Management (France)	EUR	France	**45.99**	49.02	-18.25	1.57

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

Source: Morningstar, Ltd
1 Oliver's Yard, 55-71 City Road
London EC1Y 1HQ United Kingdom
www.morningstar.co.uk; **Email**: mediaservice@morningstar.com
Phone: +44 (0)203 107 0038; **Fax**: +44 (0)203 107 0001

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
AHW Top-Div.Int.	GL	EQ	LUX	12/29	EUR	54.85	21.7	26.2	-28.3

AllianceBernstein

■ ALLIANCE BERNSTEIN
www.alliancebernstein.com/investments Tel. +800 2263 8637

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Am Eq Blend A	OT	OT	LUX	12/28	USD	10.45	27.3	32.4	-15.3
Am Eq Blend B	US	EQ	LUX	12/28	USD	9.82	26.1	31.1	-16.1
Am Growth A	US	EQ	LUX	12/28	USD	31.39	37.1	41.3	-6.6
Am Growth AX	US	EQ	LUX	12/28	USD	33.88	37.8	42.1	-6.1
Am Growth B	US	EQ	LUX	12/28	USD	26.39	35.7	39.9	-7.5
Am Growth C	US	EQ	LUX	12/28	USD	28.40	36.5	40.7	-7.0
Am Growth I	US	EQ	LUX	12/28	USD	34.79	38.2	42.4	-5.9
Am Income A	US	BD	LUX	12/28	USD	8.42	24.3	25.9	5.3
Am Income A2	US	BD	LUX	12/28	USD	19.00	24.8	25.7	5.3
Am Income A2	OT	OT	NA	12/28	HKD	147.36	NS	NS	NS
Am Income AT	OT	OT	NA	12/28	HKD	65.46	NS	NS	NS
Am Income AT	US	BD	LUX	12/28	USD	8.44	24.9	25.8	5.3
Am Income B	US	BD	LUX	12/28	USD	8.42	23.4	24.8	4.5
Am Income B2	US	BD	LUX	12/28	USD	16.38	24.0	24.9	4.6
Am Income B2	OT	OT	NA	12/28	HKD	127.04	NS	NS	NS
Am Income BT	OT	OT	NA	12/28	HKD	65.77	NS	NS	NS
Am Income BT	US	BD	LUX	12/28	USD	8.48	24.1	24.9	4.6
Am Income C	US	BD	LUX	12/28	USD	8.42	23.7	25.2	4.8
Am Income C2	US	BD	LUX	12/28	USD	24.36	24.3	25.2	4.8
Am Income I	US	BD	LUX	12/28	USD	8.42	25.0	26.6	6.0
Am Value A	US	EQ	LUX	12/28	USD	8.64	19.8	25.9	-14.1
Am Value B	US	EQ	LUX	12/28	USD	7.95	18.5	24.8	-15.0
Am Value C	US	EQ	LUX	12/28	USD	8.64	19.2	25.4	-14.5
Am Value I	US	EQ	LUX	12/28	USD	9.30	20.8	27.0	-13.4
Emg Mkts Debt A	GL	BD	LUX	12/28	USD	15.56	43.5	44.6	7.6
Emg Mkts Debt A2	GL	BD	LUX	12/28	USD	20.10	44.4	44.7	7.6
Emg Mkts Debt AT	GL	BD	LUX	12/28	USD	15.68	44.5	44.7	7.7
Emg Mkts Debt B	GL	BD	LUX	12/28	USD	15.56	42.2	43.3	6.6
Emg Mkts Debt B2	GL	BD	LUX	12/28	USD	19.35	42.9	43.2	6.6
Emg Mkts Debt BT	GL	BD	LUX	12/28	USD	15.65	42.9	43.2	6.6
Emg Mkts Debt C	GL	BD	LUX	12/28	USD	15.56	42.9	44.0	7.1
Emg Mkts Debt C2	GL	BD	LUX	12/28	USD	19.75	43.7	44.1	7.2
Emg Mkts Debt I	GL	BD	LUX	12/28	USD	15.56	44.1	45.4	8.2
Emg Mkts Growth A	GL	EQ	LUX	12/28	USD	34.36	71.5	76.7	-14.0
Emg Mkts Growth B	GL	EQ	LUX	12/28	USD	29.12	69.8	74.9	-14.8
Emg Mkts Growth C	GL	EQ	LUX	12/28	USD	29.78	70.7	75.8	-14.4
Emg Mkts Growth I	GL	EQ	LUX	12/28	USD	38.08	72.8	78.0	-13.3
Eur Growth A	OT	OT	LUX	12/28	USD	10.05	25.5	30.9	-18.1
Eur Growth A	OT	OT	LUX	12/28	EUR	6.99	25.5	30.9	-18.1
Eur Growth B	OT	OT	LUX	12/28	EUR	6.29	24.3	29.7	-18.8
Eur Growth B	OT	OT	LUX	12/28	USD	9.04	24.3	29.7	-18.8
Eur Growth C	EU	EQ	LUX	12/28	EUR	5.30	25.0	30.5	-18.4
Eur Growth I	OT	OT	LUX	12/28	USD	10.95	26.4	32.1	-17.4
Eur Growth I	OT	OT	LUX	12/28	EUR	7.62	26.4	32.1	-17.4
Eur Income A	OT	OT	LUX	12/28	EUR	6.61	39.1	40.0	3.9
Eur Income A	OT	OT	LUX	12/28	USD	9.50	39.1	40.0	3.9
Eur Income A2	OT	OT	LUX	12/28	EUR	12.87	39.7	39.9	3.9
Eur Income A2	OT	OT	LUX	12/28	USD	18.50	39.7	39.9	3.9
Eur Income AT	EU	BD	LUX	12/28	EUR	6.62	39.6	39.9	3.8
Eur Income B	OT	OT	LUX	12/28	EUR	6.61	38.3	39.1	3.2
Eur Income B	OT	OT	LUX	12/28	USD	9.50	38.3	39.1	3.2
Eur Income B2	OT	OT	LUX	12/28	EUR	11.97	38.7	38.9	3.1
Eur Income B2	OT	OT	LUX	12/28	USD	17.20	38.7	38.9	3.1
Eur Income BT	EU	BD	LUX	12/28	EUR	6.62	38.8	38.8	3.1
Eur Income C	OT	OT	LUX	12/28	EUR	6.61	38.6	39.4	3.4
Eur Income C	OT	OT	LUX	12/28	USD	9.50	38.6	39.4	3.4
Eur Income C2	OT	OT	LUX	12/28	EUR	12.83	39.2	39.3	3.4
Eur Income C2	OT	OT	LUX	12/28	USD	18.44	39.2	39.3	3.4
Eur Income I	OT	OT	LUX	12/28	EUR	6.61	39.7	40.7	4.5
Eur Income I	OT	OT	LUX	12/28	USD	9.50	39.7	40.7	4.5
Eur Strat Value A	OT	OT	LUX	12/28	EUR	8.50	22.1	28.4	-21.9
Eur Strat Value A	OT	OT	LUX	12/28	USD	12.22	22.1	28.4	-21.9
Eur Strat Value I	OT	OT	LUX	12/28	EUR	8.70	23.1	29.5	-21.3
Eur Strat Value I	OT	OT	LUX	12/28	USD	12.50	23.1	29.5	-21.3
Eur Value A	OT	OT	LUX	12/28	EUR	9.17	26.0	32.5	-18.7
Eur Value A	OT	OT	LUX	12/28	USD	13.18	26.0	32.5	-18.7
Eur Value B	OT	OT	LUX	12/28	USD	12.12	24.5	31.1	-19.6
Eur Value B	OT	OT	LUX	12/28	EUR	8.43	24.5	31.1	-19.6
Eur Value C	OT	OT	LUX	12/28	USD	12.73	25.1	31.8	-19.1
Eur Value C	OT	OT	LUX	12/28	EUR	8.86	25.1	31.8	-19.1
Eur Value I	OT	OT	LUX	12/28	USD	15.22	26.8	33.5	-18.1
Eur Value I	OT	OT	LUX	12/28	EUR	10.59	26.8	33.5	-18.1
GI Balanced (Euro) A	OT	OT	LUX	12/28	USD	16.51	21.2	24.5	-11.3
GI Balanced (Euro) B	OT	OT	LUX	12/28	USD	16.10	20.0	23.3	-12.1
GI Balanced (Euro) C	OT	OT	LUX	12/28	USD	16.39	20.9	24.2	-11.5
GI Balanced (Euro) I	OT	OT	LUX	12/28	USD	16.82	NS	NS	NS
GI Balanced A	US	BA	LUX	12/28	USD	16.54	24.5	27.7	-10.8
GI Balanced B	US	BA	LUX	12/28	USD	15.72	23.2	26.4	-11.7
GI Balanced C	OT	OT	LUX	12/28	USD	16.29	24.1	27.4	-11.1
GI Balanced C	OT	OT	LUX	12/28	EUR	11.33	24.1	27.4	-11.1
GI Balanced I	US	BA	LUX	12/28	USD	17.15	25.3	28.7	-10.1
GI Bond A	US	BD	LUX	12/28	USD	9.25	12.4	13.1	4.5
GI Bond A2	US	BD	LUX	12/28	USD	16.02	12.7	13.0	4.5
GI Bond A2	OT	OT	NA	12/28	HKD	124.25	12.7	13.0	4.5
GI Bond AT	OT	OT	LUX	12/28	HKD	71.82	12.8	13.0	4.5
GI Bond AT	US	BD	LUX	12/28	USD	9.26	12.8	13.0	4.5
GI Bond B	US	BD	LUX	12/28	USD	9.25	11.4	12.0	3.5
GI Bond B2	US	BD	LUX	12/28	USD	14.03	11.6	11.8	3.4
GI Bond B2	OT	OT	NA	12/28	HKD	108.81	11.6	11.8	3.4
GI Bond BT	OT	OT	LUX	12/28	HKD	72.05	11.6	11.8	3.5
GI Bond BT	US	BD	LUX	12/28	USD	9.29	11.6	11.8	3.5
GI Bond C	US	BD	LUX	12/28	USD	9.25	11.9	12.6	4.0
GI Bond C2	US	BD	LUX	12/28	USD	13.90	12.2	12.5	4.0
GI Bond I	US	BD	LUX	12/28	USD	9.25	12.9	13.7	5.1
GI Conservative A	US	BA	LUX	12/28	USD	14.90	15.6	17.3	-4.4
GI Conservative A2	US	BA	LUX	12/28	USD	16.96	16.3	18.0	-4.1
GI Conservative B	US	BA	LUX	12/28	USD	14.89	14.8	16.5	-5.2
GI Conservative B2	US	BA	LUX	12/28	USD	16.12	15.2	16.9	-5.0
GI Conservative C	US	BA	LUX	12/28	USD	14.89	15.3	16.9	-4.8
GI Conservative C2	US	BA	LUX	12/28	USD	16.59	15.9	17.5	-4.5
GI Conservative I	US	BA	LUX	12/28	USD	14.96	16.4	18.1	-3.7
GI Eq Blend A	GL	EQ	LUX	12/28	USD	11.72	31.1	36.8	-21.2
GI Eq Blend B	GL	EQ	LUX	12/28	USD	11.00	29.9	35.5	-22.0
GI Eq Blend C	GL	EQ	LUX	12/28	USD	11.52	30.6	36.2	-21.6
GI Eq Blend I	GL	EQ	LUX	12/28	USD	12.37	32.3	37.9	-20.6
GI Growth A	GL	EQ	LUX	12/28	USD	42.11	30.6	35.5	-22.2
GI Growth B	GL	EQ	LUX	12/28	USD	35.16	29.3	34.1	-23.0
GI Growth C	GL	EQ	LUX	12/28	USD	40.41	30.0	34.9	-22.5
GI Growth I	GL	EQ	LUX	12/28	USD	46.76	31.6	36.6	-21.6
GI High Yield A	US	BD	LUX	12/28	USD	4.31	58.8	62.0	4.0
GI High Yield A2	US	BD	LUX	12/28	USD	9.22	60.1	61.8	4.0
GI High Yield A2	OT	OT	NA	12/28	HKD	71.51	60.1	61.8	4.0
GI High Yield AT	OT	OT	NA	12/28	HKD	33.27	60.2	61.8	4.0
GI High Yield AT	US	BD	LUX	12/28	USD	4.29	60.2	61.8	4.0
GI High Yield B	US	BD	LUX	12/28	USD	4.31	56.9	59.9	2.8
GI High Yield B2	US	BD	LUX	12/28	USD	14.82	58.5	60.2	3.0
GI High Yield B2	OT	OT	NA	12/28	HKD	114.94	58.5	60.2	3.0
GI High Yield BT	OT	OT	NA	12/28	HKD	33.82	58.1	60.0	2.9
GI High Yield BT	US	BD	LUX	12/28	USD	4.36	58.1	60.0	2.9
GI High Yield C	US	BD	LUX	12/28	USD	4.31	58.0	61.1	3.5
GI High Yield C2	US	BD	LUX	12/28	USD	13.67	59.5	61.2	3.6
GI High Yield I	US	BD	LUX	12/28	USD	4.31	59.8	63.2	4.7
GI Thematic Res. A	OT	OT	LUX	12/28	USD	14.81	69.3	76.9	-3.9
GI Thematic Res. B	OT	OT	LUX	12/28	USD	12.96	67.7	75.1	-4.8
GI Thematic Res. I	OT	OT	LUX	12/28	USD	16.51	70.6	78.3	-3.1
GI Value A	GL	EQ	LUX	12/28	USD	11.20	31.9	38.3	-20.3
GI Value B	GL	EQ	LUX	12/28	USD	10.30	30.7	37.0	-21.0
GI Value C	GL	EQ	LUX	12/28	USD	10.89	31.4	37.7	-20.6
GI Value I	GL	EQ	LUX	12/28	USD	11.91	32.9	39.3	-19.7
Greater China A	AS	EQ	LUX	12/28	USD	39.62	54.5	59.2	-17.1
Greater China B	AS	EQ	LUX	12/28	USD	35.07	52.9	57.6	-18.0
Greater China C	AS	EQ	LUX	12/28	USD	39.12	53.8	58.5	-17.5
India Growth A	OT	OT	LUX	12/28	USD	126.23	NS	NS	NS
India Growth AX	OT	OT	LUX	12/28	USD	110.34	91.0	79.0	-10.3
India Growth B	OT	OT	LUX	12/28	USD	132.26	NS	NS	NS
India Growth BX	OT	OT	LUX	12/28	USD	94.47	89.4	77.5	-11.1
India Growth I	EA	EQ	LUX	12/28	USD	114.34	91.8	79.8	-10.0
Int'l Health Care A	OT	EQ	LUX	12/28	USD	138.55	18.0	21.0	-8.4
Int'l Health Care B	OT	EQ	LUX	12/28	USD	116.88	16.8	19.8	-9.4
Int'l Health Care C	OT	EQ	LUX	12/28	USD	132.79	17.5	20.5	-8.9
Int'l Health Care I	OT	EQ	LUX	12/28	USD	151.37	18.9	22.0	-7.7
Int'l Technology A	OT	EQ	LUX	12/28	USD	110.94	51.7	56.2	-12.0
Int'l Technology B	OT	EQ	LUX	12/28	USD	96.14	50.2	54.7	-12.9
Int'l Technology C	OT	EQ	LUX	12/28	USD	107.22	51.0	55.5	-12.4
Int'l Technology I	OT	EQ	LUX	12/28	USD	124.39	52.9	57.5	-11.3
Japan Eq Blend A	JP	EQ	LUX	12/28	JPY	6057.00	12.9	20.2	-22.5
Japan Eq Blend B	JP	EQ	LUX	12/28	JPY	5845.00	11.8	19.0	-23.3
Japan Eq Blend C	JP	EQ	LUX	12/28	JPY	5960.00	12.4	19.7	-22.9
Japan Growth A	JP	EQ	LUX	12/28	JPY	5896.00	6.0	11.7	-23.2
Japan Growth B	JP	EQ	LUX	12/28	JPY	5689.00	4.9	10.6	-24.0
Japan Growth C	JP	EQ	LUX	12/28	JPY	5802.00	5.5	11.2	-23.5
Japan Strat Value A	JP	EQ	LUX	12/28	JPY	6162.00	19.5	28.7	-22.3
Japan Strat Value B	JP	EQ	LUX	12/28	JPY	5952.00	18.3	27.4	-23.0
Japan Strat Value C	JP	EQ	LUX	12/28	JPY	6059.00	18.9	28.1	-22.6
Real Estate Sec. A	OT	EQ	LUX	12/28	USD	14.41	35.1	39.6	-14.8
Real Estate Sec. B	OT	EQ	LUX	12/28	USD	13.17	33.7	38.2	-15.6
Real Estate Sec. I	OT	EQ	LUX	12/28	USD	15.48	36.0	40.7	-14.1
Short Mat Dollar A	US	BD	LUX	12/28	USD	7.25	11.1	11.9	-5.9
Short Mat Dollar A2	US	BD	LUX	12/28	USD	9.77	11.5	11.9	-6.0
Short Mat Dollar AT	US	BD	LUX	12/28	USD	7.26	11.6	12.0	-6.0
Short Mat Dollar B	US	BD	LUX	12/28	USD	7.25	10.7	11.4	-6.4
Short Mat Dollar B2	US	BD	LUX	12/28	USD	9.72	11.0	11.3	-6.4
Short Mat Dollar BT	OT	OT	LUX	12/28	USD	7.27	10.3	10.6	-6.7
Short Mat Dollar C	US	BD	LUX	12/28	USD	7.25	10.7	11.4	-6.4
Short Mat Dollar C2	US	BD	LUX	12/28	USD	13.74	11.0	11.3	-6.4
Short Mat Dollar I	US	BD	LUX	12/28	USD	7.25	11.7	12.5	-5.4

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Alexandra Convertible Bond Fund L Ltd. (Class A)	OT	OT	VGB	11/30	USD	1616.75	66.9	72.1	NS

■ CREDIT PACIFIC ASSET MANAGMENT
www.creditpacific.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
CPS-Master Priv Fund	GL	OT	WSM	12/21	USD	121.52	21.5	21.5	20.8

PLATINUM CAPITAL MANAGEMENT

■ PLATINUM CAPITAL MANAGEMENT
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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Platinm-All Star	OT	OT	CYM	10/30	USD	95.07	13.2	5.7	-13.4
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	10/30	USD	108.45	5.5	2.5	-34.0
Platinm-Emancipation	OT	OT	USA	10/30	USD	93.58	25.0	9.3	-11.3
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	10/30	USD	60.64	29.4	15.3	-31.8
Platinm-Nordic	OT	OT	CYM	10/30	SEK	607.79	11.4	9.7	-18.3
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	10/30	USD	56.60	NS	NS	-38.7

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Superfund Cayman*	OT	OT	CYM	12/22	USD	40.63	-51.2	-50.9	-5.6
Superfund GCT USD*	GL	EQ	LUX	12/22	USD	2151.00	-41.1	-40.9	-3.8
Superfund Green Gold A (SPC)	OT	OT	CYM	12/22	USD	941.52	-19.0	-15.3	7.4
Superfund Green Gold B (SPC)	OT	OT	CYM	12/22	USD	897.74	-33.4	-30.3	3.1
Superfund Q-AG*	OT	OT	AUT	12/22	EUR	6491.00	-25.9	-25.8	1.7

■ WINTON CAPITAL MANAGEMENT LTD
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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Winton Evolution EUR Cls H	OT	OT	CYM	11/30	EUR	972.73	NS	NS	NS
Winton Evolution GBP Cls G	OT	OT	CYM	11/30	GBP	976.73	NS	NS	NS
Winton Evolution USD Cls F	OT	OT	CYM	11/30	USD	1232.74	-2.8	-1.2	3.7
Winton Futures EUR Cls C	OT	OT	VGB	11/30	EUR	202.11	-1.8	-0.1	9.2
Winton Futures GBP Cls D	OT	OT	VGB	11/30	GBP	218.35	-1.6	0.4	10.2
Winton Futures JPY Cls E	OT	OT	VGB	11/30	JPY	14398.02	-2.4	-0.4	6.9
Winton Futures USD Cls B	OT	OT	VGB	11/30	USD	716.94	-2.2	-0.2	8.9

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MARKETS

U.S. stocks mixed; Europe rises again

By Kristina Peterson And Donna Kardos Yesalavich

NEW YORK—U.S. blue-chip stocks clung to slight gains Tuesday as data on home prices and consumer confidence met expectations but weak oil prices weighed on energy companies.

The Dow Jones Industrial Average was up 7.63 points, or 0.1%, at 10554.71 in midday trading. **Walt Disney** was its best performer, up 1.2%. But sinking oil prices dragged on energy and materials companies as the market awaited new data on U.S. oil inventories. A crackdown on opposition in Iran also raised questions about the major oil producer's stability. Drilling contractor **Nabors** fell 2.5% and oil-service provider **Halliburton** was down 1.9%.

ABREAST OF THE MARKET

The tech-heavy Nasdaq Composite was down 4.14 points, or 0.2%, at 2286.94. The Standard & Poor's 500-share index shed 1.39 points,or 0.1%, to 1126.39

Following six straight winning days and 15-month highs for the Dow and S&P 500, the stock market's activity on Tuesday could forecast a short-term 5% to 10% correction, said Jon Merriman, chief executive of Merriman Curhan Ford. Tuesday's drop in technology companies reflects sentiment that stocks may be slightly overvalued, he said.

U.S. stocks had climbed slightly higher earlier in the day after two reports, on home prices and consumer confidence, hewed closely to economists' predictions.

Crude-oil futures hovered around the flatline at midday.

European stocks

European stocks gained, and key indexes reached their highest point in nearly 15 months.

The pan-European Dow Jones Stoxx 600 rose 0.4% to 254.09, its fifth consecutive gain and its highest close since early October 2008.

Miners rose on signs that prices of commodites could continue climbing.

Xstrata gained 2.4% in London as it reached a deal to charge Tokyo Electric Power $85 a metric ton for Australian thermal coal, higher than the $70 to $72 a ton benchmark from April 2009. Meanwhile, copper was in the spotlight on concerns over a potential strike in Chile that could affect 5.5% of world supplies.

Solar-cell maker **Q-Cells** jumped 12% as Chief Executive Anton Milner told the German newspaper Handelsblatt that the firm expects to return to profitability next year.

Among major national stock markets, the German DAX rose 0.1% to 6011.55, and the French CAC 40 rose 0.3% to 3959.98, its sixth consecutive gain.

After a four-day hiatus, the U.K. FTSE 100 gained 0.7% to 5437.61.

Oil prices slip ahead of data on inventories

By Brian Baskin

NEW YORK—Crude-oil prices slid Tuesday as the market awaited new data on U.S. oil inventories, while a crackdown on opposition in Iran raised questions about the major oil producer's stability.

Light, sweet crude for February delivery was down 21 cents at $78.56 a barrel in late-morning trade on the New York Mercantile Exchange. Brent crude on the ICE futures exchange traded 10 cents lower at $77.22 a barrel.

COMMODITIES MARKETS

Traders are anticipating oil and fuel inventory data from the American Petroleum Institute after settlement Tuesday, as well as official government data Wednesday. Analysts are expecting draws on oil and distillate stocks, including heating oil and diesel, which would add to the belief that a glut built up earlier in the year is vanishing.

With little volume in what is usually the quietest week of the year, a handful of trades off of unexpectedly positive or negative indicators can have an outsize impact on prices.

Prices could touch $80 a barrel this week, mostly because of "window dressing" that is unlikely to continue providing support with the start of the new year, wrote Jim Ritterbusch, president of the trading advisory firm Ritterbusch & Associates.

Australian rally extends on new Nufarm bidder

By Myra P. Saefong

Australian stocks extended their winning streak to a fourth session, as **Nufarm** jumped on news of a strategic investment from Japan's **Sumitomo Chemical**.

Other Asian markets were mixed as investors opted to wait for the New Year's holidays to pass. Wednesday is the final trading day of 2009 in Japan.

ASIAN-PACIFIC STOCKS

Australia's S&P/ASX 200 advanced 1.1% to 4845.11, the highest close since Oct. 26. The benchmark index has risen 209.98 points, or 4.5%, in the past four sessions, leaving it up more than 30% for the year.

Nufarm rose 2.8% to 10.86 Australian dollars (US$9.68) after hitting as high as A$11.10 on news of a strategic investment by Sumitomo Chemical. The Japanese company has the Australian foreign investment review board's approval to buy 20% of Nufarm for A$14 a share. Nufarm rejected a lower offer from China's **Sinochem** and is planning a A$250 million entitlement offer, fully underwritten by **UBS**.

"Christmas certainly came twice this year for Nufarm shareholders," said Cameron Peacock, an IG Markets analyst, in a note to clients.

Joining the advance were **Commonwealth Bank**, which rose 1.2%, and **National Australia Bank**, up 1.8%. Rising commodities prices lifted miner **BHP Billiton**, up 1.1%, and **Rio Tinto**, up 1.3%.

In Tokyo, Sumitomo Chemical was flat, in tandem with the Nikkei Stock Average of 225 companies, which rose 3.83 points to 10638.06, just shy of the 2009 high of 10639.71 set in August. Recent yen weakness lifted exporters such as **Nissan Motor**, up 1.6%, but financial stocks tracked their U.S. rivals lower, with **Sumitomo Mitsui Financial Group** falling 2.8% and **Mizuho Financial Group** off 0.6%.

In Hong Kong, the Hang Seng Index tacked on 0.1% to 21499.44. Property stocks rebounded from Monday's declines. **Sino Land** rose 0.5%, and **Henderson Land** rose 0.9%.

In Seoul, the Korea Composite Stock Price Index, or Kospi, was the region's biggest decliner, falling 0.8% to 1672.48. Financial stocks fell on concerns over 2010 earnings. Korea Exchange Bank fell 4.5%, and **Shinhan Financial Group** shed 2.6%.

The Shanghai Composite rose 0.7% to 3211.76, leaving the benchmark up 76% on the year. Locomotive maker **China CNR** Corp.'s debut was weaker than expected. Interest in large Shanghai initial public offerings has waned after two recent large IPOs dropped below their public offering prices, said Li Nian at Shenyin Wanguo Securities. It closed 2.3% higher.

In Mumbai, the Sensex 30 rose 0.2% to 17401.56, its highest close since May 2008, though it still is down 16% from the record close of 20873.33, hit on Jan. 8, 2008.

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Concentra AE	EU	EQ	DEU	12/29	EUR	52.53	35.0	39.8	-11.8
Industria AE	EU	EQ	DEU	12/29	EUR	71.89	36.6	37.8	-17.2
InternRent AE	EU	BD	DEU	12/29	EUR	35.16	3.8	3.1	10.1

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CAM-GTF Limited	AS	EQ	MUS	12/18	USD	265704.36	97.0	101.9	0.9

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GAM Arbitrage Op	OT	OT	VGB	12/18	USD	1251.05	23.4	20.3	-8.5
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	12/21	JPY	14426.01	53.9	55.4	-1.5
GAM Asia Equity Hedge US	OT	OT	VGB	12/21	USD	272.38	56.1	63.0	0.5
GAM Asia Equity USD	OT	OT	VGB	12/24	USD	642.76	60.1	66.8	-13.4
GAM Asia-Pacific Eq USD	OT	OT	VGB	12/22	USD	1266.55	17.9	23.0	-17.4
GAM Com Glb Bal EUR Op	US	BA	VGB	12/14	EUR	93.10	14.7	17.0	-9.9
GAM Com Glb Bal USD Op	US	BA	VGB	12/14	USD	127.31	14.7	17.0	-9.9
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	12/14	EUR	95.07	21.3	24.9	-17.2
GAM Comp Glb Eq USD Op	GL	EQ	VGB	12/14	USD	126.70	21.3	24.9	-17.2
GAM Comp Glb Gr EUR Op	US	BA	VGB	12/14	EUR	83.88	15.0	17.9	-14.3
GAM Comp Glb Gr USD Op	US	BA	VGB	12/14	USD	126.34	15.0	17.9	-14.3
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	12/18	USD	244.86	34.4	41.2	-12.4
GAM Cross Trading Inc	OT	OT	VGB	12/14	USD	464.04	6.1	NS	NS
GAM Diversity CHF Op	OT	OT	VGB	12/14	CHF	94.54	4.5	3.8	-6.9
GAM Diversity EUR Op	OT	OT	VGB	12/14	EUR	649.99	5.3	4.9	-5.3
GAM Diversity USD 2.5XL	OT	OT	VGB	12/14	USD	78.80	9.2	8.2	NS
GAM Diversity USD Op	OT	OT	VGB	12/14	USD	682.53	5.3	NS	NS
GAM Dvrsty II CHF Op	OT	OT	VGB	12/14	CHF	99.84	4.4	NS	NS
GAM Dvrsty II EUR Op	OT	OT	VGB	12/14	EUR	139.19	4.9	4.1	-5.4
GAM Dvrsty II USD Op	OT	OT	VGB	12/14	USD	210.84	4.9	NS	-5.6
GAM DvrstyIII EUR Op	OT	OT	VGB	12/14	EUR	115.92	4.9	4.1	-5.5
GAM DvrstyIII USD Op	OT	OT	VGB	12/14	USD	122.37	4.9	4.1	-5.6
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	12/21	EUR	216.48	9.8	12.0	-4.9
GAM Euro Eq Hdg USD Op	OT	OT	VGB	12/21	USD	201.25	10.5	12.3	-3.3
GAM European Equity USD	OT	OT	VGB	12/23	USD	293.97	25.0	29.1	-13.8
GAM GAMCO	OT	EQ	VGB	12/22	USD	810.11	39.6	40.1	-10.6
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	12/21	EUR	97.09	12.5	11.4	-16.7
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	12/21	USD	102.38	13.1	11.8	-16.0
GAM Gbl Divers USD Inc.	GL	EQ	VGB	12/21	USD	249.62	22.2	26.5	-7.5
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	12/21	USD	266.36	86.5	93.0	18.3
GAM Intrst Trend II	GL	BD	VGB	12/21	USD	93.17	41.0	35.0	-9.1
GAM Intrst Trend Inc	OT	OT	VGB	12/21	USD	249.49	56.6	51.6	-7.3
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	12/21	EUR	115.80	8.4	10.2	-7.9
GAM Japan Eq Hdg USD Op	OT	OT	VGB	12/21	USD	120.39	7.1	NS	-19.9
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	12/21	JPY	8288.45	7.4	10.7	-19.1
GAM Japan USD	JP	EQ	VGB	12/21	USD	1089.12	5.2	7.8	-15.8
GAM Japan YEN	JP	EQ	VGB	12/21	JPY	8637.81	7.8	11.8	-23.6
GAM Money Mkt EuroOp	EU	MM	VGB	12/23	EUR	51.20	0.1	0.2	1.7
GAM Money Mkt USD	US	MM	VGB	12/23	USD	99.93	-0.1	-0.1	0.8
GAM Multi-Arb EUR Op	OT	OT	VGB	12/14	EUR	113.29	1.1	-0.9	-8.6
GAM Multi-Arb USD Op	OT	OT	VGB	12/14	USD	118.28	1.3	-0.8	-8.8
GAM Multi-China EUR Op	OT	OT	VGB	12/14	EUR	167.99	13.1	13.0	-8.8
GAM Multi-China USD Op	OT	OT	VGB	12/14	USD	176.61	13.7	13.6	-9.4
GAM Multi-Emer Mkts GBP	OT	OT	VGB	12/14	GBP	130.34	24.6	23.9	-3.0
GAM Multi-Emer Mkts USD	OT	OT	VGB	12/14	USD	645.36	24.6	23.9	-3.4
GAM Multi-Eur EUR Op	OT	OT	VGB	12/14	EUR	267.99	6.8	6.0	-10.3
GAM Multi-Eur II EUR Op	OT	OT	VGB	12/14	EUR	137.89	6.7	8.6	-10.3
GAM Multi-Eur II USD Op	OT	OT	VGB	12/14	USD	112.76	6.3	8.2	-11.3
GAM Multi-Eur USD Op	OT	OT	VGB	12/14	USD	466.44	6.4	5.6	-11.2
GAM Multi-Nth Am EUR Special	OT	OT	VGB	12/14	EUR	132.77	11.4	12.3	NS
GAM Multi-Nth Am USD Special	OT	OT	VGB	12/14	USD	216.31	11.8	13.0	NS
GAM Multi-Pac EUR Op	GL	EQ	VGB	12/14	EUR	142.45	4.5	4.1	-4.8
GAM Multi-Pac USD Op	OT	OT	VGB	12/14	USD	164.43	4.6	4.4	-5.2
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	12/18	USD	2595.04	66.8	67.3	10.6
GAM Sing/Malaysia	AS	EQ	VGB	12/24	USD	2500.87	50.5	51.8	-10.6
GAM Sterling Spe Bd Inc	OT	OT	VGB	12/21	GBP	243.56	41.0	41.8	2.4
GAM Trading EUR Inc	OT	OT	VGB	12/14	EUR	323.84	5.9	5.4	6.8
GAM Trading USD Inc	OT	OT	VGB	12/14	USD	969.19	6.1	5.7	6.3
GAM Trdg II IncEUR Op	OT	OT	VGB	12/14	EUR	138.52	5.8	5.3	6.8
GAM Trdg II IncUSD Op	OT	OT	VGB	12/14	USD	314.69	6.1	5.7	6.3
GAM Trdg IV IncEUR Op	OT	OT	VGB	12/14	EUR	146.18	5.6	5.0	6.5
GAM Trdg IV IncUSD Op	OT	OT	VGB	12/14	USD	153.91	5.9	5.4	6.2
GAM Trdg V IncEUR Op	OT	OT	VGB	12/14	EUR	123.94	5.6	4.9	6.3
GAM Trdg V IncUSD Op	OT	OT	VGB	12/14	USD	129.08	5.8	5.4	6.1
GAM TrdgIII IncEUR Op	OT	OT	VGB	12/14	EUR	156.35	5.7	5.2	6.5
GAM TrdgIII IncUSD Op	OT	OT	VGB	12/14	USD	161.86	5.9	5.5	6.2
GAM USDSpecBondInc	US	BD	VGB	12/21	USD	523.82	72.3	75.8	6.1
GAM Worldwide	GL	EQ	VGB	12/23	USD	2234.56	24.7	29.0	-9.9
GAMut Investments	OT	OT	VGB	12/16	USD	7573.04	4.3	5.1	7.7

■ GAM Star Fund Plc

GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	12/24	CHF	10.83	53.0	57.8	-18.0
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	12/24	EUR	11.62	55.4	61.8	-12.5
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	12/24	GBP	1.56	46.8	53.5	-2.6
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	12/24	USD	13.14	60.3	66.4	-12.3
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	12/21	EUR	98.71	16.8	19.0	-14.7
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	12/21	EUR	95.52	16.8	19.0	-14.7
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	12/23	EUR	10.95	24.5	27.5	-11.4
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	12/24	EUR	181.04	23.6	27.9	-14.1
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	12/24	EUR	165.43	23.6	27.9	-14.1
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	12/24	USD	15.88	27.2	31.4	-13.9
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	12/24	USD	14.40	27.2	31.3	-13.9
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	12/23	USD	5.54	17.8	17.0	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	12/21	EUR	87.08	7.0	8.9	-13.5
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	12/21	EUR	87.08	7.0	8.9	-13.5
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	12/21	JPY	901.79	7.6	11.5	-23.5
GAMStar-JpnEq USD Acc	JP	EQ	IRL	12/21	USD	10.99	4.4	7.0	-16.0
GAMStar-World EqUSD Acc	GL	EQ	IRL	12/23	USD	2212.54	25.7	30.0	-9.5

Manulife Wealth Management 宏利財富管理

■ MANULIFE ASSET MANAGEMENT TEL:(852)2108 1110

Internet:http://www.manulife.com.hk 47/F Manulife Plaza, Causeway Bay, Hong Kong

American Growth	US	EQ	LUX	12/29	USD	15.30	27.5	30.4	-12.7
American Growth AA	US	EQ	LUX	12/29	USD	0.88	27.1	30.1	-6.2
Asian Equity	AS	EQ	LUX	12/29	USD	2.41	61.6	66.0	-10.5
Asian Equity AA	AS	EQ	LUX	12/29	USD	0.78	61.0	65.4	-10.8
Asian Sm Cap Equity AA	AS	EQ	LUX	12/29	USD	1.14	89.1	95.9	-7.0
China Value A	AS	EQ	LUX	12/29	USD	7.00	62.3	68.5	-7.6
China Value AA	AS	EQ	LUX	12/29	USD	2.20	61.9	68.0	-7.8
Dragon Growth	AS	EQ	LUX	12/29	USD	1.62	65.0	68.4	-10.1
Dragon Growth AA	OT	OT	LUX	12/29	HKD	7.86	64.9	68.1	-11.3
Emg Eastrn Europe A	EU	EQ	LUX	12/29	USD	4.55	92.9	89.8	-19.7
Emg Eastrn Europe AA	EU	EQ	LUX	12/29	USD	1.96	92.6	89.5	-19.8
European Growth	EU	EQ	LUX	12/29	USD	9.18	41.6	45.6	-18.7
European Growth AA	EU	EQ	LUX	12/29	USD	0.66	41.3	45.3	-18.9
Global Contrarain AA	GL	EQ	LUX	12/29	USD	0.89	82.2	90.3	NS
Global Property AA	OT	EQ	LUX	12/29	USD	0.68	46.1	46.4	-13.9
Global Resources AA	OT	EQ	LUX	12/29	USD	1.10	54.5	66.1	-12.0
Healthcare AA	OT	EQ	LUX	12/29	USD	0.94	14.5	15.6	NS
India Equity AA	EA	EQ	LUX	12/29	USD	1.09	79.5	80.7	-19.2
International Growth	GL	EQ	LUX	12/29	USD	3.06	22.1	25.7	-16.1
International Growth AA	GL	EQ	LUX	12/29	USD	0.71	21.8	25.3	-16.3
Japanese Growth	JP	EQ	LUX	12/29	USD	2.80	8.2	9.8	-12.7
Japanese Growth AA	JP	EQ	LUX	12/29	USD	0.73	7.9	9.5	-13.0
Latin America Equity AA	GL	EQ	LUX	12/29	USD	1.28	103.4	105.2	-5.3
Manulife GF Strategic Income Fund AA	OT	OT	NA	12/29	USD	1.00	NS	NS	NS
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	12/29	USD	1.13	NS	NS	NS
Russia Equity AA	EE	EQ	LUX	12/29	USD	0.64	135.6	122.8	-22.4
Taiwan Equity AA	AS	EQ	LUX	12/29	USD	1.06	82.2	91.6	1.0
Turkey Equity AA	EE	EQ	LUX	12/29	USD	0.74	102.2	102.2	-15.4
U.S. Bond AA	US	BD	LUX	12/29	USD	1.10	17.5	18.3	7.4
U.S. Sm Cap Equity AA	US	EQ	LUX	12/29	USD	0.82	71.0	71.9	-13.9
U.S. Special Opportunities	OT	OT	LUX	12/29	USD	0.81	82.8	87.7	0.7
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	12/29	USD	1.13	7.0	6.4	3.1

■ PT CIPTADANA ASSET MANAGEMENT

Tel: +62 21 25574 883 Fax: +62 21 25574 893 Website: www.ciptadana.com

Indonesian Grth Fund	EA	EQ	CYM	12/23	USD	123.61	114.3	105.0	-2.6

Sensible Asset Management
A Value Partners Group company

■ SENSIBLE ASSET MANAGEMENT LIMITED

www.samfund.com.hk Tel: (852) 2868 6848 Fax: (852) 2810 9948

Asia Value Formula Fd-B	AS	EQ	CYM	12/24	USD	7.92	84.6	89.9	-7.1

SOCIETE GENERALE Asset Management

■ SG ASSET MANAGEMENT HTTP://WWW.SGAM.COM

Eq. Concentrated Euroland A	OT	OT	LUX	12/23	EUR	93.43	22.7	25.7	-19.5
Eq. Euroland Small Cap A	OT	OT	LUX	12/28	EUR	139.95	41.2	46.1	-12.8
Eq. Global Resources A	OT	OT	LUX	12/23	USD	108.80	55.2	66.8	-8.2
Eq. India A	OT	OT	LUX	12/23	USD	128.47	76.8	78.4	-17.1
Eq. Japan CoreAlpha A	OT	OT	LUX	12/28	JPY	7308.01	24.2	28.1	-13.1
Eq. Latin America A	OT	OT	LUX	12/23	USD	113.81	82.8	87.4	-10.1

■ SGAM Fund

Bonds Eur Hi Yld A	EU	BD	LUX	12/23	EUR	20.52	54.4	56.0	-1.5
Bonds EURO A	EU	BD	LUX	12/23	EUR	41.16	4.2	4.3	5.6
Bonds EUROPE A	EU	BD	LUX	12/28	EUR	39.07	3.1	3.1	4.8
Bonds US OppsCoreplus A	US	BD	LUX	12/23	USD	37.00	17.3	18.7	9.0
Bonds World A	GL	BD	LUX	12/23	USD	42.21	6.0	6.0	7.3
Eq. China A	AS	EQ	LUX	12/28	USD	23.82	59.4	64.3	-14.6
Eq. ConcentratedEuropeA	EU	EQ	LUX	12/23	EUR	26.78	30.0	33.6	-17.6
Eq. Euroland A	EU	EQ	LUX	12/28	EUR	10.85	18.4	21.3	-20.7
Eq. EurolandCyclclsA	EU	EQ	LUX	12/23	EUR	17.74	29.2	32.8	-15.5
Eq. EurolandFinancialA	OT	EQ	LUX	12/23	EUR	11.28	33.9	37.7	-21.4
Eq. Glbl Emg Cty A	GL	EQ	LUX	12/28	USD	9.53	59.4	64.3	-16.1
Eq. Global A	GL	EQ	LUX	12/28	USD	27.95	32.9	37.8	-14.6
Eq. Global Energy A	OT	EQ	LUX	12/28	USD	18.30	28.4	35.8	-14.6
Eq. Gold Mines A	OT	EQ	LUX	12/23	USD	30.47	45.7	57.4	5.6
Eq. US Lg Cap Gr A	US	EQ	LUX	12/28	USD	15.42	43.0	46.9	-12.7
Eq. US Rel Val A	US	EQ	LUX	12/28	USD	20.80	33.2	40.0	-14.9
Eq. US Sm Cap Val A	US	EQ	LUX	12/28	USD	16.12	24.1	32.9	-21.1
Money Market EURO A	EU	MM	LUX	12/23	EUR	27.39	1.0	1.0	2.7
Money Market USD A	US	MM	LUX	12/23	USD	15.83	0.5	0.6	1.7

المستثمر الوطني The National Investor

■ THE NATIONAL INVESTOR

TNI Tower | Zayed 1st Street Khalidia| Web:www.tni.ae

TNI Mena Real Estate Fund	OT	OT	BMU	12/17	USD	987.60	5.1	0.8	-26.1
TNI MENA Special Sits Fund	OT	OT	BMU	11/30	USD	1070.31	10.2	10.3	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	12/24	AED	5.22	13.7	1.5	-32.2

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Investing through discipline

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**formerly known as China ABH Shares Fund*

Intel-Chin MainInd Foc	AS	EQ	CYM	12/15	USD	29.84	86.0	90.8	0.9
Intel-China Converg*	AS	EQ	CYM	12/15	USD	114.29	87.6	93.1	-0.6
VP Classic - A	AS	EQ	CYM	12/28	USD	183.95	80.4	86.3	-3.0
VP CLassic - B	AS	EQ	CYM	12/28	USD	85.74	79.6	85.4	-3.5
VP High Dividend Stk	AS	EQ	CYM	12/21	USD	44.29	78.2	81.5	-0.3

YUKI Yuki Management & Research Tel +81-3-5298-3277 www.yukijapan.co.jp

■ YUKI INTERNATIONAL LIMITED

Tel +44-207-269 0203 www.yukifunds.com

■ YMR-N Series

YMR-N Growth Fund	OT	OT	IRL	12/24	JPY	9447.00	9.8	12.4	-24.7
YMR-N Small Cap Fund	OT	OT	IRL	12/24	JPY	6980.00	8.8	13.4	-24.8

■ Yuki 77 Series

Yuki 77 General	JP	EQ	IRL	12/24	JPY	6170.00	4.5	7.8	-26.5
Yuki 77 Growth	JP	EQ	IRL	12/24	JPY	5650.00	-4.5	-2.5	-32.0

■ Yuki Chugoku Series

Yuki Chugoku Jpn Gen	JP	EQ	IRL	12/24	JPY	6851.00	9.8	13.6	-23.2
Yuki Chugoku JpnLowP	JP	EQ	IRL	12/24	JPY	7581.00	-7.4	-4.4	-23.0

■ Yuki Hokuyo Japan Series

Yuki Hokuyo Jpn Gen	JP	EQ	IRL	12/24	JPY	4699.00	3.3	6.3	-26.7
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	12/24	JPY	5285.00	0.1	2.1	-20.3
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	12/24	JPY	5079.00	7.9	12.3	-22.8

■ Yuki Mizuho Series

Yuki Mizuho Gen Jpn III	OT	OT	IRL	12/24	JPY	4433.00	4.3	7.2	-30.6
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	12/24	JPY	4660.00	3.7	6.8	-30.4
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	12/24	JPY	7009.00	14.9	18.7	-24.8
Yuki Mizuho Jpn Gen	OT	OT	IRL	12/24	JPY	8661.00	8.0	11.6	-24.3
Yuki Mizuho Jpn Gro	OT	OT	IRL	12/24	JPY	6384.00	2.1	4.4	-27.8
Yuki Mizuho Jpn Inc	OT	OT	IRL	12/24	JPY	7669.00	-3.6	-1.0	-23.2
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	12/24	JPY	5223.00	4.8	7.8	-25.3
Yuki Mizuho Jpn LowP	OT	OT	IRL	12/24	JPY	11472.00	1.2	4.5	-20.1
Yuki Mizuho Jpn PGth	OT	OT	IRL	12/24	JPY	7958.00	4.2	7.3	-30.2
Yuki Mizuho Jpn SmCp	OT	OT	IRL	12/24	JPY	7145.00	16.5	21.5	-24.8
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	12/24	JPY	5657.00	8.9	12.0	-22.1
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	12/24	JPY	2714.00	13.7	17.3	-30.6

■ Yuki Shizuoka Japan Series

Yuki Shizuoka General Japan	JP	EQ	IRL	12/24	JPY	5452.00	6.9	10.6	-23.9

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE		
	Previous session	Year-to-date	52-week
Brazil	0.81%	**106.5%**	94.9%
Russia	1.26	**101.3**	101.7
Turkey	0.43	**87.7**	91.1
China 88	0.75	**79.2**	78.4
Singapore	0.45	**64.6**	63.5
South Korea	-0.75	**52.7**	52.7
Sweden	0.40	**51.2**	51.2
Hong Kong	0.09	**45.6**	47.1
Netherlands	0.44	**41.4**	40.7
Australia	1.07	**29.1**	30.9
Canada	-0.51	**28.4**	30.6
Switzerland	0.15	**26.6**	26.6
France	0.57	**23.9**	23.9
Italy	0.42	**23.2**	23.2
U.K.	0.61	**22.2**	23.5
South Africa	-1.36	**22.0**	22.6
Germany	0.18	**19.1**	19.1
Spain	0.19	**18.0**	18.0
Japan	0.18	**8.7**	8.7

Dow Jones Regional Sector Titans

Basic Res	0.70%	**85.0%**	86.3%
Technology	-0.07	**56.2**	56.7
Tiger 50*	-0.03	**55.0**	55.7
Nordic 30 -p	0.27	**37.7**	40.1
EU Enlarged†-p	0.96	**32.8**	32.6
Asian 50	0.65	**31.3**	31.7
Stoxx 50 -p	0.66	**24.3**	28.0
Euro Stoxx 50 -p	0.84	**21.9**	24.9
Global 50	0.14	**21.8**	22.3
Arab 50	0.51	**4.6**	3.7

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

Dow Jones Asia Titans: Tuesday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
Hutchison Whampoa	Hong Kong	Diversified Industrials	$28.1	51.10	**2.92%**	33.1%	-37.0%
QBE Ins Grp	Australia	Reinsurance	23.2	25.26	**2.68**	-0.8	-11.7
Mitsui	Japan	Industrial Suppliers	26.2	1,329	**2.07**	47.5	-25.3
Westfield Grp	Australia	Retail REITs	25.9	12.50	**1.87**	-4.2	-39.3
Nippon Steel	Japan	Iron Steel	26.1	381.00	**1.87**	31.4	-44.3
Sumitomo Mitsui Finl	Japan	Banks	$29.2	2,655	**-2.75%**	-29.4	-78.2
Shinhan Financial Grp	South Korea	Banks	17.8	43,800	**-2.56**	52.6	-5.5
KB Fncl Group	South Korea	Banks	19.6	59,500	**-1.33**	81.6	-17.4
Canon	Japan	Electronic Office Equipment	52.6	3,910	**-1.26**	41.2	-41.6
Shin-Etsu Chml	Japan	Specialty Chemicals	24.5	5,290	**-0.94**	30.0	-33.6

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
National Australia Bk Australia (Banks)	51.1	27.18	**1.80%**	30.3%	-33.2%
Cheung Kong Hong Kong (Real Estate Holding Development)	29.5	98.60	**1.75**	38.9	0.7
Nissan Motor Japan (Automobiles)	36.1	813.00	**1.63**	154.1	-43.3
Sun Hung Kai Prop Hong Kong (Real Estate Holding Development)	37.9	114.60	**1.60**	77.7	25.5
Mitsubishi Japan (Industrial Suppliers)	41.4	2,315	**1.54**	87.0	3.4
Aus NZ Bk Australia (Banks)	51.0	22.70	**1.38**	48.9	-19.3
RioZim Ltd Australia (General Mining)	40.5	74.42	**1.25**	154.5	26.1
Commonwlth Bk of Aus Australia (Banks)	74.3	54.50	**1.17**	92.6	9.7
BHP Billiton Australia (General Mining)	129.2	42.92	**1.06**	44.8	68.1
East Japan Railway Japan (Travel Tourism)	25.7	5,960	**1.02**	-13.5	-25.0
Woolworths Australia (Food Retailers Wholesalers)	30.6	27.67	**0.91**	4.7	16.6
KDDI Japan (Mobile Telecommunications)	23.9	495,000	**0.81**	-22.1	-38.7
Toyota Motor Japan (Automobiles)	133.5	3,890	**0.78**	33.9	-51.1
Seven I Hldgs Japan (Broadline Retailers)	18.9	1,916	**0.63**	-37.2	-48.2
Tokyo Elec Power Japan (Conventional Electricity)	35.0	2,380	**0.63**	-20.7	-38.2
Nippon T&T Japan (Fixed Line Telecommunications)	53.5	3,710	**0.54**	-20.7	-36.7
Nintendo Japan (Toys)	30.5	21,890	**0.51**	-35.1	-29.2
Kansai Elec Power Japan (Conventional Electricity)	22.3	2,140	**0.47**	-17.7	-33.3
Woodside Petroleum Australia (Exploration Production)	30.7	47.65	**0.32**	32.6	24.4
Honda Motor Japan (Automobiles)	62.6	3,140	**0.32**	64.7	-33.2

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Indl Comm Bk China Hong Kong (Banks)	68.7	6.41	**0.31%**	57.1%	25.4%
Takeda Pharm Japan (Pharmaceuticals)	33.1	3,850	**0.26**	-17.0	-52.9
China Life Ins Hong Kong (Life Insurance)	36.3	37.85	**0.26**	61.8	33.8
NTT DoCoMo Japan (Mobile Telecommunications)	59.4	130,500	**0.15**	-26.0	-30.6
Westpac Bking Australia (Banks)	66.3	25.40	**0.04**	52.7	4.9
Japan Tobacco Japan (Tobacco)	33.7	322,000	**...**	9.2	-44.0
Hon Hai Precision Ind Taiwan (Electrical Components Equipment)	39.6	150.00	**...**	170.8	0.2
CNOOC Hong Kong (Exploration Production)	69.2	12.02	**...**	66.9	61.3
PetroChina Hong Kong (Integrated Oil Gas)	25.4	9.34	**-0.11**	39.6	-15.4
Samsung Elec South Korea (Semiconductors)	99.3	786,000	**-0.13**	74.3	25.8
China Mobile (HK) Hong Kong (Mobile Telecommunications)	178.6	69.65	**-0.21**	-8.6	-0.1
Panasonic Japan (Consumer Electronics)	30.1	1,333	**-0.37**	19.8	-43.9
Tokio Marine Hldgs Japan (Property Casualty Insurance)	21.8	2,535	**-0.39**	-1.7	-39.6
JFE Hldgs Japan (Iron Steel)	21.2	3,670	**-0.54**	57.2	-40.1
Mizuho Financial Grp Japan (Banks)	25.6	167.00	**-0.60**	-35.2	-80.4
China Constr Bk Hong Kong (Banks)	190.1	6.56	**-0.61**	57.3	28.9
Taiwan Smcndtr Mfg Taiwan (Semiconductors)	50.8	63.30	**-0.63**	40.7	-5.1
Sony Japan (Consumer Electronics)	29.2	2,685	**-0.74**	39.7	-47.4
POSCO South Korea (Iron Steel)	39.9	614,000	**-0.81**	61.6	101.0
Mitsubishi UFJ Finl Japan (Banks)	68.8	454.00	**-0.87**	-17.3	-69.1

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

— NOTICE TO READERS —
All statistics published in The Wall Street Journal Asia from markets outside the Asian-Pacific region reflect preliminary data.

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Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	0.51%	0.69%	1.7%	8.2%	7.9%
Event Driven	0.17	0.65	2.9	15.1	15.3
Equity Long/Short	0.62	1.94	0.7	4.8	4.4

*Estimates as of 12/23/09, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

Markit iTraxx Indexes

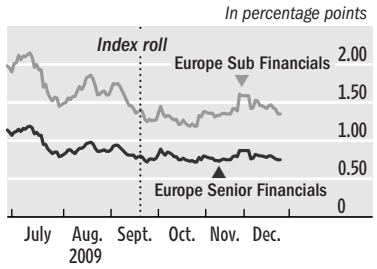
Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.74	101.19%	0.01%	1.00	0.74	0.85
Eur. High Volatility: 12/1	1.06	99.71	0.01	1.76	1.06	1.39
Europe Crossover: 12/1	4.37	102.53	0.05	6.15	4.37	5.24
Asia ex-Japan IG: 12/1	0.96	100.20	0.01	1.29	0.96	1.08
Japan: 12/1	1.31	98.53	0.01	1.68	0.99	1.33

Note: Data as of December 28

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

In percentage points



Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Promise	801	**-17**	-101	-219
Taisei	375	**-10**	-17	-40
Toshiba	159	**-6**	2	-41
Orix	267	**-5**	-47	-137
Fukuyama Transporting	138	**-5**	-7	-7
Mitsubishi Heavy Inds	81	**-4**	-7	-29
Sumitomo Metal Inds	73	**-3**	-1	-8
Elpida Memory	655	**-3**	-12	-3
Acom	260	**-3**	-42	-165
All Nippon Awys	321	**-3**	-10	-37

And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Expt Import Bk Korea	94	**1**	...	-16
Nissan Mtr	125	**1**	-4	-27
Nippon Paper Group	93	**1**	-1	-7
Wan Hai Lines	191	**2**	3	...
Sapporo Hldgs	146	**2**	-6	-5
Singapore Telecom	40	**2**	3	-1
Nomura Secs	167	**2**	...	9
Mitsubishi Matls	106	**3**	-4	-11
Korea Expwy	78	**4**	4	-11
Shin Han Bk	107	**4**	1	-16

Source: Markit Group

Behind Europe's deals: Bank revenue rankings, France

Behind every IPO, bond offering, merger deal or syndicated loan is one or more investment banks. Here are investment banks ranked by year-to-date revenues from recent deals.

	Revenue, in millions	Market share	PERCENTAGE OF TOTAL REVENUE Equity capital markets	Debt capital markets	Mergers & acquisitions	Loans
BNP Paribas	$327	14.2%	27%	39%	28%	5%
Calyon	278	12.1	44	40	10	6
SG Corporate Investment Banking	227	9.8	32	52	11	5
HSBC	160	6.9	41	47	9	3
JPMorgan	152	6.6	50	30	19	1
Bank of America Merrill Lynch	131	5.7	18	31	50	1
Natixis	93	4.0	...	84	5	10
Credit Suisse	91	4.0	25	53	22	...
Citi	80	3.4	34	24	40	2

Source: Dealogic

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

	Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
	Corn (cents/bu.)	CBOT	**414.00**	-2.00	**-0.48%**	712.25	315.50
	Soybeans (cents/bu.)	CBOT	**1035.50**	-2.50	**-0.24**	1,560.00	805.00
	Wheat (cents/bu.)	CBOT	**549.00**	-1.75	**-0.32**	1,029.25	459.00
	Live cattle (cents/lb.)	CME	**85.375**	0.625	**0.74%**	108.600	81.900
	Cocoa ($/ton)	ICE-US	**3,250**	20	**0.62**	3,510	1,994
	Coffee (cents/lb.)	ICE-US	**137.85**	0.90	**0.66**	188.65	115.00
	Sugar (cents/lb.)	ICE-US	**26.95**	-0.31	**-1.14**	27.49	11.91
	Cotton (cents/lb.)	ICE-US	**75.55**	-0.27	**-0.36**	84.00	49.67
	Crude palm oil (ringgit/ton)	MDEX	**2,590.00**	-2	**-0.08**	3,580	1,487
	Cocoa (pounds/ton)	LIFFE	**2,223**	-19	**-0.85**	2,337	1,310
	Robusta coffee ($/ton)	LIFFE	**1,327**	unch.	**unch.**	1,710	1,300
	Copper (cents/lb.)	COMEX	**330.40**	-3.25	**-0.97**	365.00	135.50
	Gold ($/troy oz.)	COMEX	**1107.00**	-0.90	**-0.08**	1,227.50	762.30
	Silver (cents/troy oz.)	COMEX	**1722.50**	-33.50	**-1.91**	2,011.50	1,045.00
	Aluminum ($/ton)*	LME	**2,276.00**	29.00	**1.29**	2,283.00	1,288.00
	Tin ($/ton)*	LME	**16,650.00**	550.00	**3.42**	16,650.00	9,795.00
	Copper ($/ton)*	LME	**7,260.00**	160.00	**2.25**	7,260.00	2,849.00
	Lead ($/ton)*	LME	**2,395.00**	35.50	**1.50**	2,487.00	920.00
	Zinc ($/ton)*	LME	**2,550.00**	15.00	**0.59**	2,550.00	1,086.00
	Nickel ($/ton)*	LME	**19,050**	305	**1.63**	21,150	9,475
	Crude oil ($/bbl.)	NYMEX	**78.97**	0.20	**0.25**	117.00	47.60
	Heating oil ($/gal.)	NYMEX	**2.1216**	0.0285	**1.36**	3.5570	1.3816
	RBOB gasoline ($/gal.)	NYMEX	**2.0410**	0.0039	**0.19**	2.1342	1.2304
	Natural gas ($/mmBtu)	NYMEX	**5.900**	-0.065	**-1.09**	12.590	4.550
	Brent crude ($/bbl.)	ICE-EU	**77.40**	0.08	**0.10**	145.00	50.00
	Gas oil ($/ton)	ICE-EU	**632.25**	4.50	**0.72**	790.00	443.50

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on Dec. 29

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.5100	0.1815	3.8245	0.2615
Brazil real	2.5061	0.3990	1.7395	0.5749
Canada dollar	1.5002	0.6666	1.0413	0.9603
1-mo. forward	1.5002	0.6666	1.0413	0.9603
3-mos. forward	1.5002	0.6666	1.0413	0.9603
6-mos. forward	1.5005	0.6665	1.0415	0.9602
Chile peso	729.64	0.001371	506.45	0.001975
Colombia peso	2952.14	0.0003387	2049.10	0.0004880
Ecuador US dollar-f	1.4407	0.6941	1	1
Mexico peso-a	18.8004	0.0532	13.0495	0.0766
Peru sol	4.1514	0.2409	2.8815	0.3470
Uruguay peso-e	28.022	0.0357	19.450	0.0514
U.S. dollar	1.4407	0.6941	1	1
Venezuela bolivar	3.09	0.323246	2.15	0.465701
ASIA-PACIFIC				
Australia dollar	1.6057	0.6228	1.1145	0.8973
China yuan	9.8389	0.1016	6.8293	0.1464
Hong Kong dollar	11.1733	0.0895	7.7555	0.1289
India rupee	67.1150	0.0149	46.5850	0.0215
Indonesia rupiah	13592	0.0000736	9435	0.0001060
Japan yen	132.38	0.007554	91.89	0.010883
1-mo. forward	132.36	0.007555	91.87	0.010885
3-mos. forward	132.31	0.007558	91.83	0.010889
6-mos. forward	132.20	0.007565	91.76	0.010898
Malaysia ringgit-c	4.9452	0.2022	3.4325	0.2913
New Zealand dollar	2.0021	0.4995	1.3897	0.7196
Pakistan rupee	121.379	0.0082	84.250	0.0119
Philippines peso	66.524	0.0150	46.175	0.0217
Singapore dollar	2.0220	0.4946	1.4035	0.7125
South Korea won	1681.30	0.0005948	1167.00	0.0008569
Taiwan dollar	46.571	0.02147	32.325	0.03094
Thailand baht	48.026	0.02082	33.335	0.03000

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.6941	1.4407
1-mo. forward	1.0000	1.0000	0.6941	1.4407
3-mos. forward	1.0002	0.9998	0.6942	1.4405
6-mos. forward	1.0005	0.9995	0.6944	1.4400
Czech Rep. koruna-b	26.353	0.0379	18.292	0.0547
Denmark krone	7.4419	0.1344	5.1655	0.1936
Hungary forint	272.76	0.003666	189.33	0.005282
Norway krone	8.3272	0.1201	5.7800	0.1730
Poland zloty	4.1342	0.2419	2.8696	0.3485
Russia ruble-d	43.347	0.02307	30.088	0.03324
Sweden krona	10.3297	0.0968	7.1699	0.1395
Switzerland franc	1.4874	0.6723	1.0324	0.9686
1-mo. forward	1.4871	0.6725	1.0322	0.9688
3-mos. forward	1.4864	0.6728	1.0317	0.9692
6-mos. forward	1.4850	0.6734	1.0308	0.9702
Turkey lira	2.1715	0.4605	1.5073	0.6635
U.K. pound	0.9024	1.1081	0.6264	1.5965
1-mo. forward	0.9026	1.1079	0.6265	1.5962
3-mos. forward	0.9029	1.1075	0.6267	1.5956
6-mos. forward	0.9034	1.1070	0.6270	1.5948
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5431	1.8412	0.3770	2.6526
Egypt pound-a	7.9084	0.1264	5.4893	0.1822
Israel shekel	5.4610	0.1831	3.7905	0.2638
Jordan dinar	1.0197	0.9807	0.7078	1.4129
Kuwait dinar	0.4133	2.4193	0.2869	3.4855
Lebanon pound	2164.65	0.0004620	1502.50	0.0006656
Saudi Arabia riyal	5.4051	0.1850	3.7518	0.2665
South Africa rand	10.6828	0.0936	7.4150	0.1349
United Arab dirham	5.2918	0.1890	3.6731	0.2723
SDR -f	0.9180	1.0893	0.6372	1.5693

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	PREVIOUS SESSION Net change	PREVIOUS SESSION Percentage change	PERFORMANCE Yr.-to-date	PERFORMANCE 52-wk.
32	**ASIA-PACIFIC**	DJ Asia-Pacific	123.50	0.53	**0.43%**	32.0%	32.1%
...	Australia	SPX/ASX 200	4845.11	54.26	**1.13**	30.2	32.6
...	China	CBN 600	28520.73	162.52	**0.57**	93.2	91.5
20	Hong Kong	Hang Seng	21499.44	19.22	**0.09**	49.4	51.0
20	India	Sensex	17401.56	40.95	**0.24**	80.4	79.1
...	Indonesia	Jakarta Composite	2518.994	9.302	**0.37**	85.8	85.8
...	Japan	Nikkei Stock Average	10638.06	3.83	**0.04**	20.1	20.1
...		Topix	915.87	1.09	**0.12**	6.6	6.6
...	Malaysia	Kuala Lumpur Composite	1275.22	2.49	**0.20**	45.4	44.6
...	New Zealand	NZSX-50	3225.128	19.928	**0.62**	18.8	20.4
9	Pakistan	KSE 100	9410.66	-11.57	**-0.12%**	60.5	55.9
14	Philippines	Manila Composite	3052.68	19.84	**0.65**	63.0	63.0
...	Singapore	Straits Times	2869.76	14.08	**0.49**	62.9	62.1
11	South Korea	Kospi	1672.48	-13.11	**-0.78**	48.7	48.7
21	Taiwan	Weighted	8053.83	-3.66	**-0.05**	75.4	75.5
10	Thailand	SET	742.16	8.45	**1.15**	64.9	64.9
50	**EUROPE**	DJ Stoxx 600	253.53	0.36	**0.14**	28.8	28.8
22		DJ Stoxx 50	2588.21	-1.70	**-0.07**	25.3	25.3
62	**Euro Zone**	DJ Euro Stoxx	276.18	0.53	**0.19%**	24.0%	24.0%
20		DJ Euro Stoxx 50	2987.08	4.66	**0.16**	21.8	21.8
18	Denmark	OMX Copenhagen	315.31	1.62	**0.52**	39.4	39.4
20	Finland	OMX Helsinki	6427.91	66.31	**1.04**	19.0	19.0
19	France	CAC-40	3959.98	12.83	**0.33**	23.1	23.1
21	Germany	DAX	6011.55	8.63	**0.14**	25.0	25.0
17	Italy	FTSE MIB	23376.24	73.68	**0.32**	20.1	20.1
...	Netherlands	AEX	337.28	1.17	**0.35**	37.1	36.8
...	Russia	RTSI	1445.17	-6.43	**-0.44%**	128.7	131.1
11	Spain	IBEX 35	12035.1	11.9	**0.10**	30.9	30.9
15	Switzerland	SMI	6608.52	17.51	**0.27**	19.4	19.4
...	Turkey	ISE National 100	51786.04	166.63	**0.32**	92.8	96.1
15	U.K.	FTSE 100	5437.61	35.20	**0.65**	22.6	23.8
21	**AMERICAS**	DJ Americas	299.87	0.23	**0.08**	32.6	36.4
...	Brazil	Bovespa	68089.41	187.71	**0.28**	81.3	81.5
...	Argentina	Merval	2316.06	33.48	**1.47**	114.5	114.4
21	Mexico	IPC	32724.77	114.26	**0.35**	46.2	47.0

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 12:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Reuters Group PLC is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	PERFORMANCE Year-to-date	PERFORMANCE 52-wk.	Three-yr., annualized
2.16%	21	**DJ Global Index**	228.75	0.72	**0.72%**	33.7%	0.3%	-6.2%
1.89	21	**Global DOW**	1996.14	4.68	**4.68**	31.0	0.2	-2.3
2.34		**Asia/Pacific 600**	115.86	0.69	**0.69**	21.6	0.6	-7.5
1.76	16	**Emerging Markets**	278.33	0.78	**0.78**	76.6	0.3	3.2
2.11	32	**Asia/Pacific**	123.50	0.53	**0.53**	32.1	0.4	-5.5
2.38	14	**Asia/Pacific ex-Japan**	312.14	2.24	**2.24**	70.0	0.7	0.4
2.53	23	**Southeast Asia**	158.59	0.64	**0.64**	74.3	0.4	2.1
0.83	30	**CBN China 600** -c	28520.73	162.53	**162.53**	91.5	0.6	22.3
0.85	33	**Shanghai**	380.25	2.32	**2.32**	91.2	0.6	22.4
0.58	47	**Shenzhen**	412.27	1.54	**1.54**	114.6	0.4	29.6
2.21	19	**China Offshore 50**	4019.78	-5.98	**-5.98**	52.7	-0.1	5.6
8.65	9	**Australia LPT** -c, d	1150.04	15.73	**15.73**	5.1	1.4	-22.1

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	PERFORMANCE Year-to-date	PERFORMANCE 52-wk.	Three-yr., annualized
2.07%	15	**Islamic Market**	1990.30	5.20	**5.20%**	35.6%	0.3%	-1.4%
2.35	16	**Islamic Market 100**	2143.73	6.14	**6.14**	23.5	0.3	-2.1
9.74	14	**Bahrain**	120.59	-0.25	**-0.25**	-21.3	-0.2	-13.8
2.81	33	**Kuwait**	196.11	-0.52	**-0.52**	-12.1	-0.3	-16.0
2.59	20	**Sustainability**	1020.68	5.02	**5.02**	32.7	0.5	-7.0
2.72	50	**Stoxx 600 -p**	272.09	2.45	**2.45**	32.3	0.9	-8.9
4.74	17	**Stoxx Select Div 30 -p**	1790.76	9.22	**9.22**	30.1	0.5	-21.3
3.98	23	**Euro Stoxx Sel Div 30 -p**	2134.50	16.54	**16.54**	30.8	0.8	-16.7
1.70	30	**DJ U.S. TSM**	11633.34	2.55	**2.55**	30.3	0.0	-6.6
5.21	12	**U.S. Select Dividend -d**	661.00	1.78	**1.78**	15.3	0.3	-9.6
4.28		**U.S. REIT**	149.65	-0.46	**-0.46**	29.3	-0.3	-17.4
		DJ-UBS Commodity -p	140.05	2.02	**2.02**	23.5	1.5	-5.6

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

U.S.	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
		1.115	0.626	1.041	6.829	0.694	7.756	46.585	9434.85	91.885	1.390	1167.00	3.432	46.175	1.403	1.032	32.325	33.335
Australia	0.897		0.562	0.934	6.128	0.623	6.959	41.798	8465.42	82.444	1.247	1047.09	3.080	41.431	1.259	0.926	29.004	29.910
Britain	1.596	1.779		1.662	10.903	1.108	12.381	74.371	15062.27	146.690	2.219	1863.05	5.480	73.716	2.241	1.648	51.605	53.218
Canada	0.960	1.070	0.602		6.558	0.667	7.448	44.737	9060.65	88.241	1.335	1120.71	3.296	44.344	1.348	0.991	31.043	32.013
China	0.1464	0.163	0.092	0.152		0.102	1.136	6.821	1381.54	13.455	0.203	170.88	0.503	6.761	0.206	0.151	4.733	4.881
Euro	1.441	1.606	0.902	1.500	9.839		11.173	67.115	13592.79	132.379	2.002	1681.29	4.945	66.524	2.022	1.487	46.571	48.026
Hong Kong	0.129	0.144	0.081	0.134	0.881	0.089		6.007	1216.54	11.848	0.179	150.47	0.443	5.954	0.181	0.133	4.168	4.298
India	0.0215	0.0239	0.0134	0.0224	0.1466	0.0149	0.1665		202.53	1.9724	0.0298	25.05	0.0737	0.9912	0.0301	0.0222	0.6939	0.7156
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0049		0.0097	0.0001	0.12	0.0004	0.0049	0.0001	0.0001	0.0034	0.0035
Japan	0.011	0.012	0.007	0.011	0.074	0.008	0.084	0.507	102.68		0.015	12.70	0.037	0.503	0.015	0.011	0.352	0.363
New Zealand	0.720	0.802	0.451	0.749	4.914	0.499	5.581	33.523	6789.32	66.120		839.77	2.470	33.228	1.010	0.743	23.261	23.988
South Korea	0.0009	0.0010	0.0005	0.0009	0.0059	0.0006	0.0066	0.0399	8.08	0.0787	0.0012		0.0029	0.0396	0.0012	0.0009	0.0277	0.0286
Malaysia	0.291	0.325	0.182	0.303	1.990	0.202	2.259	13.572	2748.68	26.769	0.405	339.98		13.452	0.409	0.301	9.417	9.712
Philippines	0.022	0.024	0.014	0.023	0.148	0.015	0.168	1.009	204.33	1.990	0.030	25.27	0.074		0.030	0.022	0.700	0.722
Singapore	0.713	0.794	0.446	0.742	4.866	0.495	5.526	33.193	6722.61	65.471	0.990	831.52	2.446	32.901		0.736	23.033	23.752
Switzerland	0.969	1.080	0.607	1.009	6.615	0.672	7.512	45.123	9138.76	89.001	1.346	1130.37	3.325	44.726	1.359		31.311	32.289
Taiwan	0.031	0.034	0.019	0.032	0.211	0.021	0.240	1.441	291.87	2.843	0.043	36.10	0.106	1.428	0.043	0.032		1.031
Thailand	0.030	0.033	0.019	0.031	0.205	0.021	0.233	1.397	283.03	2.756	0.042	35.01	0.103	1.385	0.042	0.031	0.970	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of December. 29, 2009

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.50%	25	**ALL COUNTRY (AC) WORLD***	300.86	0.45%	**32.1%**	36.7%
2.50	26	**World (Developed Markets)**	1,176.35	0.41	**27.8**	31.7
1.90	124	**World Small Cap**	191.48	0.23	**42.7**	51.0
2.60	22	**Kokusai (World ex-Japan)**	1,165.41	0.37	**30.6**	33.8
3.10	26	**EAFE**	1,583.98	0.71	**28.0**	35.6
2.20	20	**Emerging Markets (EM)**	981.14	0.71	**73.0**	86.2
2.60	25	**AC ASIA PACIFIC EX-JAPAN**	408.89	0.48	**65.3**	79.8
2.10	25	**AC Far East ex-Japan**	443.15	0.50	**62.5**	78.8
1.80	-35	**Japan**	572.61	0.62	**8.0**	11.1
1.90	20	**China**	63.74	0.30	**56.3**	72.6
0.90	39	**China A (China Domestic)**	3,301.54	1.52	**90.4**	89.9
2.60	23	**Hong Kong**	9,982.25	-0.14	**52.3**	58.0
1.00	21	**India**	705.33	0.00	**91.0**	103.7
1.10	24	**Korea**	480.24	0.10	**56.5**	60.7
2.40	21	**Malaysia**	470.32	0.71	**46.4**	48.2
3.10	17	**Singapore**	1,599.37	0.73	**60.5**	62.6
2.70	315	**Taiwan**	291.36	1.06	**68.1**	73.9
3.10	20	**Thailand**	300.62	0.51	**62.4**	81.1
4.00	25	**Australia**	984.96	0.00	**28.7**	27.6
5.30	16	**New Zealand**	86.43	0.00	**13.8**	11.5
1.90	32	**US BROAD MARKET**	1,251.65	0.08	**27.4**	29.4
3.40	17	**EUROPE**	88.08	0.50	**26.9**	21.8

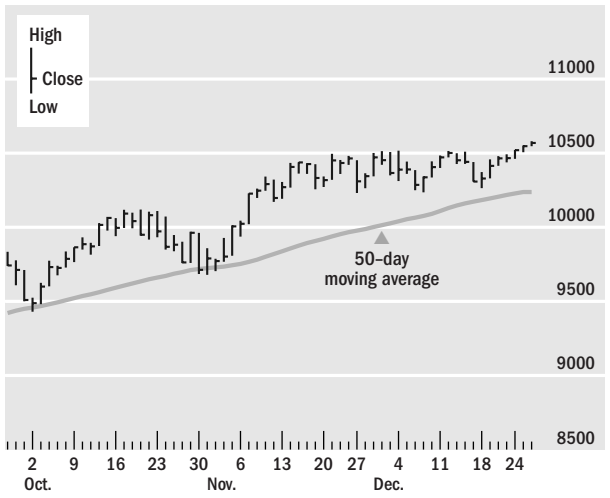
*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

SCANNING THE GLOBE

Dow Jones Industrial Average P/E: 18

LAST: **10568.84** ▲ 21.76, or 0.21%
YEAR TO DATE: ▲ **1,792.45, or 20.4%**
OVER 52 WEEKS ▲ **1,900.45, or 21.9%**



Nasdaq Composite Index P/E: 44*

LAST: **2290.15** ▼ 0.93, or 0.04%
YEAR TO DATE: ▲ **713.12, or 45.2%**
OVER 52 WEEKS ▲ **739.45, or 47.7%**

S&P 500 Index P/E: 73

LAST: **1128.62** ▲ 0.84, or 0.07%
YEAR TO DATE: ▲ **225.37, or 25.0%**
OVER 52 WEEKS ▲ **237.98, or 26.7%**

*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**5.30**	$28.31	-0.02	**-0.05%**
Alcoa	AA	**7.10**	16.05	-0.05	**-0.31**
AmExpress	AXP	**1.70**	41.04	-0.01	**-0.03**
BankAm	BAC	**37.50**	15.18	-0.11	**-0.72**
Boeing	BA	**0.60**	55.28	0.14	**0.25**
Caterpillar	CAT	**1.10**	58.20	-0.31	**-0.53**
Chevron	CVX	**1.80**	77.45	-0.32	**-0.41**
CiscoSys	CSCO	**7.70**	24.03	-0.05	**-0.21**
CocaCola	KO	**1.80**	57.89	0.45	**0.78**
Disney	DIS	**2.50**	32.30	0.39	**1.22**
DuPont	DD	**1.80**	33.94	0.24	**0.71**
ExxonMobil	XOM	**7.80**	68.96	-0.12	**-0.17**
GenElec	GE	**16.50**	15.36	0.02	**0.13**
HewlettPk	HPQ	**2.70**	52.70	-0.06	**-0.11**
HomeDpt	HD	**1.90**	29.23	0.05	**0.17**
Intel	INTC	**12.10**	20.34	0.04	**0.20**
IBM	IBM	**2.00**	132.01	-0.30	**-0.23**
JPMorgChas	JPM	**8.00**	41.76	0.04	**0.10**
JohnsJohns	JNJ	**2.30**	65.09	0.15	**0.23**
KftFoods	KFT	**2.30**	27.40	-0.08	**-0.29**
McDonalds	MCD	**0.90**	63.78	0.17	**0.26**
Merck	MRK	**2.40**	37.24	-0.05	**-0.13**
Microsoft	MSFT	**10.40**	31.37	0.20	**0.64**
Pfizer	PFE	**6.80**	18.56	-0.07	**-0.38**
ProctGamb	PG	**2.50**	61.67	0.42	**0.69**
3M	MMM	**1.70**	84.20	0.75	**0.90**
TravelersCos	TRV	**0.70**	49.77	-0.06	**-0.12**
UnitedTech	UTX	**0.80**	70.51	0.05	**0.07**
Verizon	VZ	**3.30**	33.54	0.05	**0.15**
WalMart	WMT	**3.00**	54.07	0.09	**0.17**

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
Citigroup	C	**107.6**	$3.38	–$0.01	**–0.29%**
FannieMae	FNM	**88.6**	1.29	0.02	**1.57**
AdventrxPharm	ANX	**49.6**	0.37	0.03	**8.06**
FredMac	FRE	**44.2**	1.58	–0.02	**–1.25**
BankAm	BAC	**37.7**	15.18	–0.11	**–0.72**
SPDR S&P 500	SPY	**30.7**	112.71	–0.01	**–0.01**
FordMotor	F	**23.5**	10.16	–0.04	**–0.39**
GenElec	GE	**16.7**	15.37	0.03	**0.16**
iShrMSCIEmrgMkt	EEM	**14.3**	41.22	–0.12	**–0.29**
SPDR FnclSelSct	XLF	**14.0**	14.49	0.01	**0.07**
PwrShrs QQQ	QQQQ	**13.2**	46.05	–0.17	**–0.37**
Bionovo	BNVI	**12.7**	0.53	0.08	**18.29**
MicronTch	MU	**12.5**	10.01	–0.03	**–0.30**
Intel	INTC	**12.1**	20.32	0.02	**0.10**
Uluru	ULU	**11.9**	0.23	0.06	**32.17**

Biggest gainers...

Spire	SPIR	**198.8**	$5.44	$1.17	**27.40%**
Entorian	ENTN	**13.2**	5.60	0.90	**19.21**
FuelCell	FCEL	**4,531.2**	3.70	0.54	**17.07**
ChinaBAK	CBAK	**2,605.7**	2.58	0.35	**15.70**
ImprlSugar	IPSU	**674.1**	17.00	2.28	**15.49**

...Biggest losers

Trimeris	TRMS	**878.5**	$2.67	-$0.51	**-16.04%**
SearchMedWt	IDI%	**76.3**	2.00	-0.30	**-13.04**
ChinaMedExp(CH)	CCME	**279.8**	10.65	-1.43	**-11.84**
LGL Grp	LGL	**7.3**	3.30	-0.35	**-9.59**
DWS RE TctStr	DRP	**70.7**	14.36	-1.42	**-9.00**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$11.40	$6.36	**Taiwan Semi**	TSM	**2,894.4**	$11.25	0.09	**0.81%**
6.84	3.71	**Mitsu UFJ Fnl**	MTU	**1,241.2**	4.96	-0.09	**-1.78**
78.75	33.09	**BHP Billiton**	BHP	**1,172.6**	76.59	0.79	**1.04**
3.87	1.65	**Utd Microelectronics**	UMC	**702.5**	3.68	-0.02	**-0.54**
18.64	12.59	**SK Telecom**	SKM	**657.1**	15.97	-0.63	**-3.80**
15.95	8.56	**China Unicom**	CHU	**568.4**	12.82	-0.08	**-0.62**
8.19	3.78	**Siliconware Prec Ind**	SPIL	**550.9**	6.87	-0.01	**-0.15**
59.22	40.20	**China Mobile**	CHL	**491.9**	44.95	-0.29	**-0.64**
11.99	6.25	**AU Optrncs**	AUO	**389.2**	11.87	-0.03	**-0.25**
56.19	22.61	**Infosys Tech**	INFY	**252.2**	55.32	-0.54	**-0.97**
15.29	6.85	**Korea Elec Pwr**	KEP	**240.6**	14.51	-0.18	**-1.23**
17.79	11.30	**KT Corp**	KTC	**209.0**	16.80	-0.41	**-2.38**
19.56	15.05	**ChunghwaTel**	CHT	**174.9**	18.40	-0.07	**-0.38**
32.79	9.91	**Aluminum Cp of China**	ACH	**166.1**	27.28	0.01	**0.04**
22.16	5.11	**Yanzhou Coal Mining**	YZC	**163.2**	21.86	0.14	**0.64**
9.82	5.43	**Telecom Corp of NZ**	NZT	**129.4**	8.99	0.18	**2.04**
34.43	21.60	**Huaneng Power Intl**	HNP	**125.2**	22.22	-0.36	**-1.59**
9.50	3.96	**Nomura Hldgs**	NMR	**115.4**	7.48	0.02	**0.29**
25.64	13.77	**Guangshen Railway**	GSH	**111.6**	20.11	0.00	**0**
94.00	46.45	**China Petro & Chem**	SNP	**107.6**	87.72	-0.26	**-0.30**
41.87	19.90	**Telekom Indonesia**	TLK	**91.3**	40.40	-0.09	**-0.22**
23.59	9.35	**Nidec**	NJ	**89.4**	23.40	0.07	**0.30**
7.10	2.00	**Alumina**	AWC	**87.8**	6.58	0.14	**2.17**
30.82	15.64	**Sony**	SNE	**86.7**	29.39	-0.19	**-0.64**
19.81	7.02	**China Southern Air**	ZNH	**75.5**	15.67	-0.67	**-4.10**
81.00	37.43	**China Life Ins**	LFC	**69.3**	73.00	0.14	**0.19**
135.92	63.94	**PetroChina**	PTR	**68.3**	120.11	-0.46	**-0.38**
4.63	1.49	**Adv Semi Engrg**	ASX	**67.9**	4.39	-0.03	**-0.62**
56.41	31.92	**ChinaTele**	CHA	**60.9**	41.61	0.01	**0.02**
27.55	17.71	**NTT**	NTT	**60.4**	20.26	-0.01	**-0.05**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

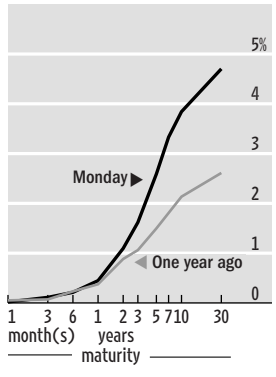
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points Latest	Previous	Month ago	Year ago	YIELD Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.505%**	**341.0**	332.4	361.4	**202.5**	**4.325%**	4.298%	**2.809%**
4.500	10	**5.838**	**201.1**	182.5	205.0	**187.3**	**5.657**	5.251	**3.979**
5.000	**Austria** 2	**1.712**	**61.7**	64.2	26.7	**125.4**	**1.643**	0.951	**2.038**
3.900	10	**3.851**	**2.4**	-1.8	33.5	**172.7**	**3.814**	3.536	**3.833**
3.500	**Belgium** 2	**1.065**	**-3.0**	3.5	39.3	**141.3**	**1.036**	1.077	**2.197**
4.000	10	**3.705**	**-12.2**	-16.0	38.9	**163.6**	**3.672**	3.590	**3.742**
1.250	**Canada** 2	**1.454**	**35.9**	39.5	43.4	**34.8**	**1.396**	1.118	**1.132**
3.750	10	**3.659**	**-16.8**	-23.1	2.2	**51.1**	**3.601**	3.223	**2.617**
4.000	**Denmark** 2	**2.022**	**92.7**	97.0	141.8	**192.2**	**1.971**	2.102	**2.706**
4.000	10	**3.628**	**-19.9**	-22.1	35.2	**125.5**	**3.611**	3.553	**3.361**
1.500	**France** 2	**1.189**	**9.4**	12.2	53.7	**126.4**	**1.123**	1.221	**2.048**
3.750	10	**3.553**	**-27.4**	-29.0	24.5	**125.7**	**3.542**	3.446	**3.363**
1.250	**Germany** 2	**1.296**	**20.1**	25.0	55.1	**95.7**	**1.251**	1.235	**1.741**
3.250	10	**3.370**	**-45.7**	-49.0	-3.9	**81.0**	**3.342**	3.162	**2.916**
0.550	**Hong Kong** 2	**0.724**	**-37.1**	-27.1	-27.6	**-12.2**	**0.730**	0.408	**0.662**
2.160	10	**2.852**	**-97.5**	-100.1	-104.2	**-78.1**	**2.831**	2.159	**1.325**
3.750	**Italy** 2	**1.547**	**45.2**	50.0	90.3	**223.3**	**1.501**	1.587	**3.017**
4.250	10	**4.102**	**27.5**	22.7	83.5	**223.0**	**4.059**	4.036	**4.336**
0.200	**Japan** 2	**0.171**	**-92.4**	-83.4	-45.4	**-37.3**	**0.167**	0.230	**0.411**
1.300	10	**1.315**	**-251.2**	-252.5	-194.9	**-90.4**	**1.307**	1.252	**1.202**
4.000	**Netherlands** 2	**0.902**	**-19.3**	-13.5	24.1	**119.1**	**0.866**	0.925	**1.975**
4.000	10	**3.521**	**-30.6**	-32.5	22.9	**139.7**	**3.507**	3.430	**3.503**
3.200	**Portugal** 2	**1.488**	**39.3**	44.4	54.6	**180.6**	**1.445**	1.230	**2.590**
4.750	10	**4.037**	**21.0**	19.6	60.0	**182.6**	**4.028**	3.801	**3.932**
5.350	**Spain** 2	**1.562**	**46.7**	51.3	68.5	**164.0**	**1.514**	1.369	**2.424**
4.300	10	**3.951**	**12.4**	11.0	59.1	**169.2**	**3.942**	3.792	**3.798**
2.750	**Switzerland** 2	**0.650**	**-44.5**	-40.4	-20.8	**-23.3**	**0.597**	0.476	**0.551**
2.250	10	**1.994**	**-183.3**	-185.9	-130.5	**6.0**	**1.973**	1.896	**2.166**
3.250	**U.K.** 2	**1.381**	**28.6**	31.7	52.0	**40.3**	**1.318**	1.204	**1.187**
4.500	10	**4.083**	**25.6**	16.2	34.4	**99.4**	**3.994**	3.545	**3.100**
1.000	**U.S.** 2	**1.095**	**...**	...	...	**...**	**1.001**	0.684	**0.784**
3.375	10	**3.827**	**...**	...	...	**...**	**3.832**	3.201	**2.106**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.702%**	16.12	–7.67 %	–9.11 %	–26.36 %	–27.49 %
10-year Treasury	**3.842**	8.26	–4.93	–3.48	–9.43	–10.29
7 Year Treasury	**3.330**	6.22	–3.70	–1.46	...	...
Five-year Treasury	**2.591**	4.63	–2.51	–0.33	–0.35	–0.59
Ryan Index	**2.863**	6.68	–3.47	–2.34	–6.63	–7.05
3 Year Treasury	**1.618**	2.90	–1.22	0.24	1.31	1.57
Two-year Treasury	**1.095**	1.97	–0.64	0.28	1.41	1.65
1 Year Treasury	**0.448**	0.97	–0.11	0.19	0.95	0.98
Six-month Treasury	**0.213**	0.50	–0.01	0.06	0.62	0.64
Ryan Cash Index-a	**0.198**	0.44	–0.02	0.08	0.52	0.53
Three-month bill	**0.112**	0.25	0.02	0.06	0.37	0.36
One-month bill	**0.020**	0.07	0.01	0.02	0.14	0.15

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	3.25%
Canada	**2.25**	3.50
Japan	**1.475**	1.675
Britain	**0.50**	2.00
ECB	**1.00**	2.50
Switzerland	**0.54**	2.03
Australia	**3.75**	4.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.23094%**	0.46125%
Three month	**0.25063**	1.45875
Six month	**0.43438**	1.81125
One year	**0.99750**	2.07750

	Latest	52 wks ago
Euro Libor		
One month	**0.43375%**	2.68000%
Three month	**0.66063**	2.96438
Six month	**0.97188**	3.03500
One year	**1.22063**	3.12375
Hibor		
One month	**0.07857**	0.29857%
Three month	**0.13857**	0.99857
Six month	**0.28857**	1.54929
One year	**0.67429**	1.90000
Asian dollars		
One month	**0.2376%**	0.47%
Three month	**0.2596**	1.4620
Six month	**0.4530**	1.8180
One year	**1.0060**	2.0760

	Offer	Bid
Eurodollars		
One month	**0.3500%**	0.2000%
Three month	**0.3300**	0.2300
Six month	**0.4100**	0.3100
One year	**0.6500**	0.5500

	Latest	52 wks ago
U.S. discount	**0.50%**	0.50%
Fed-funds target	**0.25**	0.25
Call money	**2.00**	2.00
Overnight repurchase rates		
U.S.	**0.13%**	0.10%
U.K. (BBA)	**0.500**	1.858
Euro zone	**0.30**	2.17

Sources: WSJ Market Data Group; Reuters

MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Tuesday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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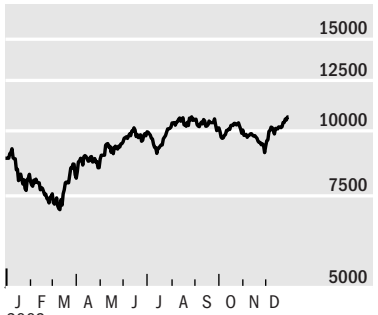
Asian index movers...

Nikkei Stock Average
Japan 10638.06
▲ **0.04% or 3.83**

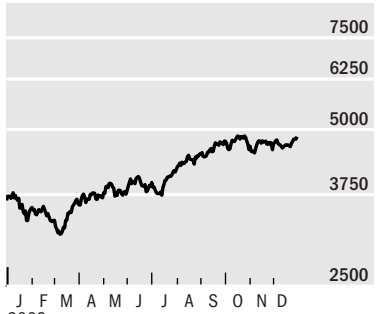
The yen's relative weakness helped auto makers and other exporters offset declines in Sumitomo Mitsui and big banks. Toyota Motor rose 0.8%, Nissan Motor added 1.6%.



Stock	Volume in millions	Close	Change Net	Change %
JapanAirlines	**133.46**	88	–8	–8.33
Mizuho Financial	**129.84**	167	–1	–0.60
Mtshbsh Fin Grp	**117.99**	454	–4	–0.87
Hitachi	**47.85**	274	–2	–0.72
Nippon Steel	**35.69**	381	7	1.87

ASX 200
Australia 4845.10
▲ **1.13% or 54.26**

The market extended its rally as commodities rose. Commonwealth Bank of Australia rose 1.2%. BHP Billiton climbed 1.1%, and Rio Tinto advanced 1.3%.



Stock	Volume in millions	Close	Change Net	Change %
Boart Longyear	**37.81**	0.36	0.01	1.41
Macq Infrstrct	**21.07**	1.33	0.01	0.76
Asciano Group	**20.41**	1.82	0.04	2.25
Goodman Grp-Stpl	**19.26**	0.60	0.01	1.69
GPT Group	**13.18**	0.59	0.01	0.85

Kospi
South Korea 1672.48
▼ **0.78% or 13.11**

Shares fell, with liquidity concerns about Kumho Asiana Group units weighing on the market. Kumho Tire shed 13%, and Kumho Industrial finished 6.8% lower.

Stock	Volume in millions	Close	Change Net	Change %
Korea Data Sys	**64.66**	215	unch	...
Optimus	**17.52**	130	unch	...
Dongyang Steel	**9.20**	1,175	65	5.86
Ilshin Stone	**7.69**	835	85	11.33
Woori Finance	**7.45**	14,450	–900	–5.86

CBN 600
China 28520.73
▲ **0.57% or 162.52**

China's shares rose, buoyed by optimistic expectations about corporate earnings. Banks advanced, with Industrial & Commercial Bank of China rising 1.2%.

Stock	Volume in millions	Close	Change Net	Change %
United Network	**192.00**	7.09	0.05	0.71
China State Con	**167.61**	4.59	–0.03	–0.65
CiticSecurities	**136.97**	30.79	0.93	3.11
HaitongSecs	**134.03**	18.80	0.42	2.29
Metallurgical Cn	**133.80**	5.24	unch	...

Asian stocks in the news

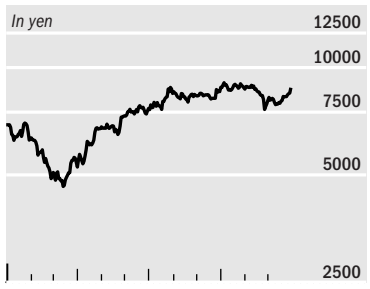
Genting Singapore
Singapore S$1.28
▲ **3.2% or S$0.04**

The stock continued to climb on optimism about the opening of its Sentosa casino resort in 2010.

		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**none**			
Earnings per share, past four quarters	**-0.02**			
Dividend yield	**none**			
Travel & Leisure		**0.7%**	1.3%	5.1%
Genting Singapore		**3.2%**	9.4%	197.3%

Shimamura
Japan ¥8,780
▲ **3.5% or ¥300**

The retailer climbed after Nomura Securities upgraded its stock and raised its price target.



		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**16**			
Earnings per share, past four quarters	**549.90**			
Dividend yield	**1.3**			
Retail		**1.4%**	4.2%	19.6%
Shimamura		**3.5%**	5.9%	27.1%

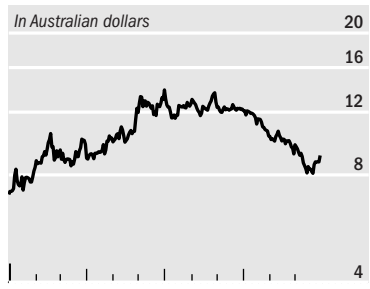
ING Office Fund
Australia A$0.64
▲ **4.1% or A$0.03**

The property trust continued an uptrend, rising 11% over the past four days.

		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**none**			
Earnings per share, past four quarters	**-0.50**			
Dividend yield	**1.5**			
Real Estate		**0.9%**	2.6%	37.8%
ING Office Fund		**4.1%**	7.6%	-16.0%

Caltex Australia
Australia A$9.07
▲ **4.3% or A$0.37**

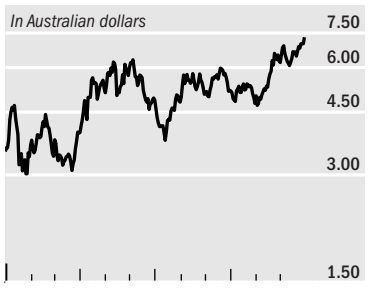
The oil company's stock has risen 12% in the past week as oil prices edge higher.



		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**58**			
Earnings per share, past four quarters	**0.16**			
Dividend yield	**none**			
Oil & Gas		**0.4%**	4.2%	48.4%
Caltex Australia		**4.3%**	6.1%	28.7%

Aquarius Platinum
Australia A$7.30
▲ **4.3% or A$0.30**

Shares rallied sharply thanks to a rise in platinum prices, which hit three-week highs.



		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**none**			
Earnings per share, past four quarters	**-0.16**			
Dividend yield	**none**			
Basic Resources		**1.2%**	4.9%	70.6%
Aquarius Platinum		**4.3%**	6.1%	109.3%

JB Hi-Fi
Australia A$21.72
▼ **2.3% or A$0.52**

The stock traded lower along with other sellers of consumer electronics.

		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**25**			
Earnings per share, past four quarters	**0.88**			
Dividend yield	**1.3**			
Retail		**1.4%**	4.2%	19.6%
JB Hi-Fi		**-2.3%**	-3.7%	126.3%

China Res Land
Hong Kong HK$16.70
▼ **2.6% or HK$0.44**

Shares of the real-estate developer fell on sharp declines in house sales for November.

		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**31**			
Earnings per share, past four quarters	**0.53**			
Dividend yield	**0.8**			
Real Estate		**0.9%**	2.6%	37.8%
China Res Land		**-2.6%**	-0.7%	74.0%

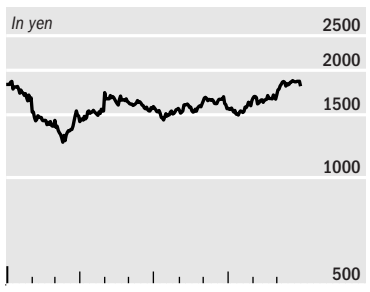
Sumitomo Mitsui Finl
Japan ¥2,655
▼ **2.7% or ¥75**

The stock declined as financial shares fell, tracking their U.S. counterparts.

		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**12**			
Earnings per share, past four quarters	**216.20**			
Dividend yield	**3.4**			
Banks		**0.3%**	2.1%	27.4%
Sumitomo Mitsui Finl		**-2.7%**	-6.3%	-29.4%

Shiseido
Japan ¥1,804
▼ **3.2% or ¥60**

Shares fell on disappointment with the cosmetic maker's weak November domestic sales.



		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**24**			
Earnings per share, past four quarters	**75.60**			
Dividend yield	**2.8**			
Personal & Hshld Gds		**-0.2%**	1.6%	20.4%
Shiseido		**-3.2%**	-2.8%	-1.2%

Japan Airlines
Japan ¥88
▼ **8.3% or ¥8**

Investors were wary of possible legal liquidation as part of the airline operator's rehabilitation p

		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**none**			
Earnings per share, past four quarters	**-98.80**			
Dividend yield	**none**			
Travel & Leisure		**0.7%**	1.3%	5.1%
Japan Airlines		**-8.3%**	-12.9%	-58.5%

HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY WSJ.com/Heard

Nufarm deal with an Austen twist

Jane Austen couldn't have scripted it better. Facing reluctance from its Chinese suitor just before Christmas, Australian chemical company **Nufarm** managed to land a far more agreeable Japanese partner before the year was out.

Trumping **Sinochem** Corp.'s takeover bid, **Sumitomo Chemical** offered to buy 20% of Nufarm from shareholders at US$12.43 a share. Sinochem last week lowered its $11.44-a-share bid for the company to $10.65, citing concerns about Nufarm's profit outlook.

Sinochem wasn't very specific about what bothered it once it had a closer look. Nufarm has been suffering from the slumping price of its key product, the weed-killer glyphosate, a 40% contributor to its global sales.

Nufarm this month forecast first-half profit would drop from the year before. Already, in the year ended in July, profit fell 42%.

Nufarm's failure to reject Sinochem's revised bid outright had many speculating the company would have to swallow the lower price. Instead, Nufarm revealed it had a trick up its sleeve: Sumitomo's move has already been approved by Australia's investment regulator, suggesting the Japanese company was kept on the short list of possible buyers for some time.

Bloomberg News

A warehouse at Nufarm's headquarters in Melbourne, Australia.

What does Sumitomo see in Nufarm that Sinochem doesn't? There is a familiar draw here for Japanese companies: geographic diversification.

Nufarm dominates Australia's herbicide market and offers exposure to South America and Central and Eastern Europe. More exposure to the agrochemical market, which is Sumitomo's most profitable line of business, is another pull.

A 20% stake in Nufarm means Sumitomo can benefit as the glyphosate market—which many believe has bottomed—rebounds without the burden of a full takeover. For this, Sumitomo will pay a price its balance sheet can withstand, about $540 million at Tuesday's prices.

Immediate concern over Nufarm's financial position is easing. The company said Tuesday that it has completed refinancing $890 million of debt coming due at year end.

It will be a while before Sumitomo's investors will know whether its move to outspend Sinochem was smart. What is apparent now, though, is that Nufarm is heading into 2010 with more of a spring in its step than seemed likely just a week ago.

*—**Andrew Peaple** and **James Simms***

Accounting for banks' value gaps

Can investors count on consistency when it comes to bank accounting? As many banks struggle with piles of bad loans, some auditors appear stricter than others when assessing their true value.

Banks using **Deloitte** and **Ernst & Young** show sharper declines in the fair value of their loans than those using other accounting firms, a Wall Street Journal analysis shows.

Of course, it is quite possible Ernst and Deloitte simply have a less-healthy group of bank clients. But if it instead reflects different audit policies when it comes to assessing loans, it could have consequences on the strength of banks' regulatory capital.

Banks carry most loans on balance sheet at their original cost. But they must also disclose the loans' fair value, or current market value, in footnotes. At most banks, despite the carnage of recent years, fair value is only slightly below cost. Some banks show much steeper declines.

At **Regions Financial**, fair value was 19.3% lower than cost as of Sept. 30. The difference was 13.4% at **Huntington Bancshares**, 12% at **KeyCorp**, 9% at **SunTrust Banks** and 8.6% at **Marshall & Ilsley**. Regions, Key and SunTrust are audit clients of Ernst; Huntington and M&I are Deloitte clients. Among the top 25 U.S. commercial banks, the average gap among Ernst and Deloitte clients was about 6%; among clients of **PricewaterhouseCoopers** and **KPMG** it was about 2%.

Those differences can affect how investors view a bank's loan portfolio and could have an effect on regulatory capital in the future.

The Financial Accounting Standards Board is considering changes in banks' accounting for loans and may require them to carry loans on the balance sheet at fair value instead of cost. If that happened, the fair-value declines could reduce shareholder equity and regulatory capital—in some cases, to levels regulators would find troublesome.

A move by the FASB to require banks to use fair value as the balance-sheet standard doesn't have to hurt the banks' regulatory capital. Bank regulators could adjust the capital measures they use.

But big hits to the fair value of loans still matter to investors. Who audits a bank's books may have importance beyond whose name goes on the letter blessing the financial statements once a year.

*—**Michael Rapoport***

Japan Inc. is bullish on China's shop

While China is a growing rival to Japan, it also looks like one of the best routes to lift Japan out of its economic malaise.

Already, in 2009, China has displaced the U.S. as the largest overall buyer of Japanese goods, including its top exports: machinery, and electronic goods and parts.

It now accounts for nearly one-fifth of Japan's exports by value.

Being more closely tied to fast-growing China is certainly a welcome development for Japan's export-reliant economy, which shrank to 2004 levels in the recent financial crisis.

Some uncommonly upbeat reports from Japan reflect the shift. Exports to China jumped almost 8% in November from a year earlier, the first increase since September 2008. Those to the U.S., meanwhile, fell by about the same percentage.

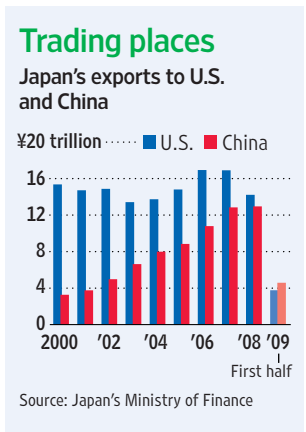
UBS estimated earlier this year that a 10% increase in exports to China would add about 0.2 percentage point to Japan's annual economic growth. Marginal? Not for an economy that has averaged only a bit more than 1% annual growth in the past decade.

Certainly, many Japanese businesses have benefited. Thanks to a mainland building boom, elevator and escalator maker **Fujitec**'s sales in East Asia, namely greater China, have jumped to 28% of revenue from 16% in five years, making the region the company's No. 2 market after Japan.

Fujitec is reporting profits thanks to this shift. Three-quarters of the company's operating profit came from East Asia in the six months through September. Operations in Japan, North America and Europe remained mired in red ink.

Auto makers also owe part of their recent rebound in profits to China. **Nissan Motor**, perhaps best-positioned among Japanese car makers in the auto market, will soon be able to claim China as its second-largest market by volume.

To be sure, the increasing focus on China has its shortcomings. One is that much of what China imports from Japan is actually dependent on demand in other markets. UBS calculates that 45% of Japan's exports to China by value are processed and shipped elsewhere.



In that sense, it is little surprise that it is 11 months into a robust year for Chinese growth when Japan's exports to China have recovered.

And some of Japan's bread-and-butter exports face stiff challenges in the Chinese market. Domestic Chinese brands, rather than pricier Japanese offerings, dominate flat-panel television and refrigerator sales.

Leaning so heavily on old rival China is something Japan surely doesn't like. For now, however, it is about the only game in town.

*—**James Simms***

Move by the U.A.E. splits the atom club

It is hard to imagine a more sensitive new energy project than the Arab world's first nuclear power plants. But the United Arab Emirates shrugged off lobbying from Washington and Paris, choosing South Korea's cheaper and simpler option for the $20.4 billion deal.

The U.A.E. has shown it is open to foreign investors without close political or military ties. And **Korea Electric Power**'s victory suggests the nuclear industry is more competitive than commonly perceived. It defeated bids led by **General Electric**, **Electricité de France** and **Areva**.

The decision was particularly surprising given the U.A.E's close U.S. links. American exports almost quadrupled from 2002 to 2008 to more than $15 billion, making it the largest U.S. market in the region. U.A.E. investment in America also jumped.

And the Korean success reopens a debate over whether Areva's advanced European pressurized reactor, dogged by cost and safety concerns in Finland and France, is too big and expensive. The Korean alternative has a 1,400 megawatt capacity compared with the French company's 1,650, but is much cheaper. That is partly because the plant wouldn't withstand an airplane crash—a key safety criterion in Finland and France.

KEP's older technology may struggle against new designs from GE, EdF-Areva and **Toshiba** in more safety-conscious markets. But as other players such as Russia's **Rosatom** and partner **Siemens** eye customers like India, the nuclear industry looks less locked up by the U.S., Japan and France than many thought. The same goes for the investment opportunities in the oil-rich U.A.E.

> The choice of South Korea's cheaper option was a surprise.

*—**Andrew Critchlow** and **Matthew Curtin***

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